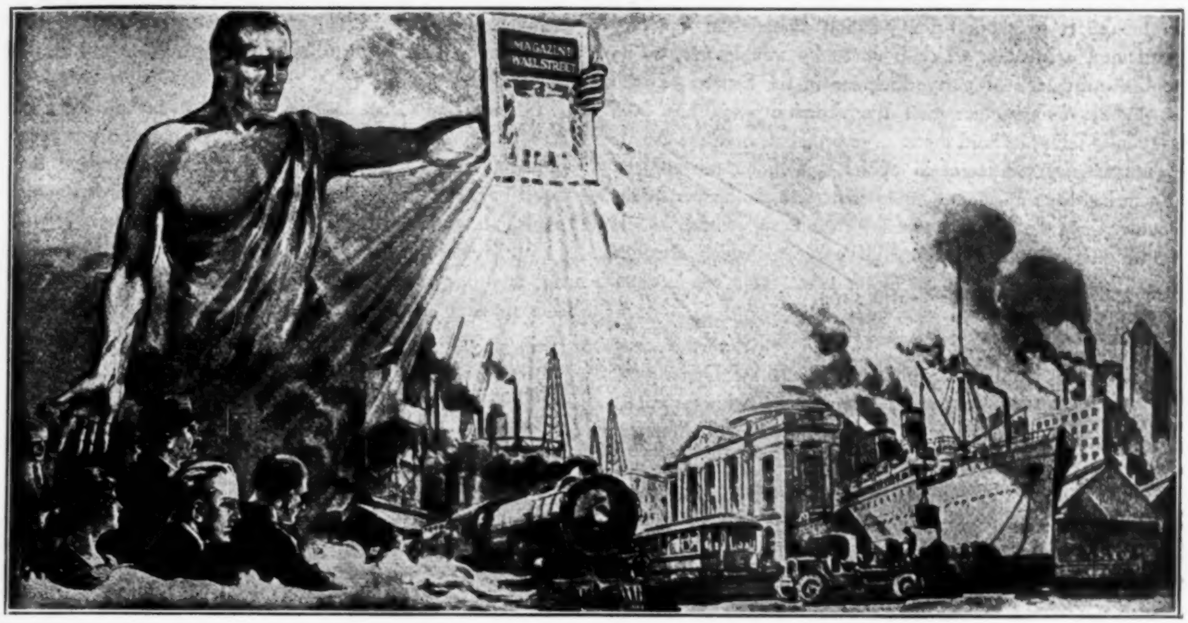


The Outlook

Economic Prospect More Hopeful—The Four-Power Treaty—Foreign Loans —Why "Sterling" Advanced—Credit and Gold—The Market Prospect

SIGNS of a more hopeful economic prospect continue to multiply. It would be easy to specify details, such as the improvement in car loadings, the growth in earnings of transportation companies, the great advance in building, the enlargement of demand for steel and iron, and a variety of others. The more important fact in the situation is the apparent attainment of a much greater degree of economic adjustment and stability than has lately existed. Prices have now been practically level for more than six months. Banking conditions have settled down to a footing which represents practically normal relationships. There is a very much better adjustment between industries. All this has produced a far more hopeful outlook on the part of the manufacturing community, and has created a much stronger disposition to proceed in the development of business.

In the farming regions, the continued maintenance of substantially higher prices for the principal products has been very encouraging, even though it has not helped the producer of last year's crops who, to a large extent, had disposed of his product before the advance set in. It has, of course, helped him in financing his operations for the new crop as well as in various indirect ways. All this tends to diminish the industrial and agricultural discontent, which has been prevalent for some months past. *Coupled with the fact that unemployment is decreasing both on account of seasonal demands for labor, as well as absolutely, it makes a situation which is far more promising than any that had prevailed for some time.*

Foreign trade still calls for extensive readjustment, and it is not likely that we shall recover any full measure of prosperity until it and the domestic industries dependent upon it have been restored to a more normal and permanent basis. But the movement toward restoration of domestic activity is clearly well advanced. Strong demand for investment securities and higher prices all around are one element in the movement.

* * *

THE TREATY SITUATION IN THE SENATE

NOTHING of equal importance from the international standpoint has developed in international politics since the rejection of the Treaty of Versailles, until the consideration of the present Pacific Treaties which are now before the Senate. The fact that they are reported to be in some danger of defeat indicates a state of things which is of first class significance. One treaty, that with Japan concerning our cable rights on the Island of Yap, has been ratified but it related to matters which had been largely settled before the Arms Conference was summoned.

The so-called Four-Power Treaty which now constitutes the bone of contention, is largely fundamental to the others; and, should it be defeated, the entire programme probably might as well be abandoned. This makes the fact that some of the Republican leaders who are engaged on the Treaty now state that it is in a serious legislative position, of crucial interest. If it should be defeated, we could not hope to maintain the conciliatory agreement for a reduction of naval armaments. More important still, is the fact that, in such an event, we should undoubtedly lose prestige internationally, just as we lost it after the rejection of the Versailles agreement.

Organizations of well known citizens are already at work in the effort to support the pending agreements, but they must meet a situation which is unusually troublesome, owing to the entire lack of party discipline in the Senate, as well as to the circumstance that the Administration has been gradually losing its hold there. Nevertheless, even the Senate is not entirely indifferent to public opinion on this subject. There has been an unmistakable change in the temper of the country since the rejection of the Versailles agreement, as was shown in the general outburst of approval which attended Mr. Hughes's announcement of his plans for a cut in naval expenditure.

* * *

STATE DEPARTMENT AND FOREIGN LOANS

THE attitude of the State Department, expressed last autumn, with respect to the making of foreign loans by American bankers has been renewed in the form of a fresh warning to the effect that those contemplating such operations are requested to take the matter up with the authorities at Washington in order to obtain a general understanding on the terms and conditions to govern such extensions of credit. The position of the Department has been on the whole that it was not wise for Americans to go on increasing the amount of credit they granted in other countries, unless such credit grants were to be employed for the purchase of commodities in the United States, and unless such grants of credit were made in a way that would not interfere with the task of collecting sums already due to the Government or to private investors who had already placed funds in such countries. This was upon the theory that our trade balance was already so very one-sided that any further accentuation of it might be unwarranted.

The objection to the policy is seen in the circumstance that a requirement that borrowers spend their money here is oftentimes annoying without resulting in any definite benefit to the American producer, *while on the other hand a loan properly made presumably increases the productive power of the borrower and does not lessen it.* If that be admitted, such loans ought to enlarge the ability of the foreigner to pay his past borrowings, rather than impair it. There are at present many proposed foreign advances in prospect or under negotiation in this market, and the recommendation of the State Department may exert a highly important effect upon them, possibly interfering with the movements toward the broader flotation of foreign loans in the United States which have of late been gaining such decided headway.

* * *

THE RISE IN EXCHANGE

MARKED and decisive advances in sterling and in continental exchanges have been a highly interesting factor in trade conditions both here and abroad during the past two weeks. The basic reason for the better position of sterling is seen partly in the improved outlook for industry in Great Britain and partly in the fact that that country has been increasing her export power; while, on the other hand, our immense surplus of exports has been falling off, imports on the contrary gradually increasing. In addition to this general state of things, the more favorable economic outlook is helped by the fact that British financiers have been undoubtedly desirous of converting the foreign held British bonds stated in dollars into internal bonds and sterling, an object which they could probably attain only in the event that sterling continued to hold its own above $4.30, the point of conversion.

Reports that Great Britain intended to make a very substantial appropriation in her next budget for the purpose of providing for the payment of interest on Government debts owed by her to the United States have also afforded another cogent reason for the maintenance of the quotation of sterling.

While there may not have been any official "pegging" of the rate in recent weeks, it is undoubtedly true that very substantial financial support has been given it; and it would seem likely that this would be continued, in view of the facts already set forth. As the rate improves, or continues to show stability, a correspondingly better basis for international trade is furnished, *and it may be expected that our export relationships with Great Britain and the British colonies will assume a more normal position from this time forward.*

* * *

GOLD AND CREDIT

IT is a remarkable fact that while the accumulation of gold in Federal reserve banks has gone on, to the unprecedented extent of creating a fund of nearly $3,000,000,000 in their possession, the amount of credit outstanding has steadily shrunk. Bills held by the banks have almost continuously fallen off, and while within recent weeks the amount of their earning assets has increased somewhat, this has obviously been due merely to purchase of Government bonds and notes for the sake of the interest yield of these securities. Even these purchases, however, have been of but little significance as compared with the general volume of operations.

This state of things runs directly counter to the older theories of money and banking which have usually represented an influx of gold into a country as the immediate cause of a great increase in the volume of credit extended. Equally at variance with accepted theories, has been the fact that prices, instead of advancing, have either held about steady or have tended to fall off as the accumulation of gold increased. It was only within the past week that any backward movement could be noted. As spring necessities for agriculture and merchandising have made themselves felt in various parts of the country, they have naturally brought a somewhat increased pressure to bear upon the banks—both member and reserve—with the result that the volume of loans extended by them has been slightly enlarged. This, however, has nothing to do with the accumulation of gold in vault but is merely a seasonal fluctuation such as would occur in any event. Economic writers are thus under the necessity of revising their theories of prices and credit in some important particulars.

* * *

MARKET PROSPECT

THE strong up trend of the market is emphasized by the increasing strength, breadth and activity of the market. One of the most encouraging features is the demand for minor rail stocks which have been lying in the boxes of small investors for many years. Our broad view of the market is expressed in Mr. Wyckoff's article on another page. The immediate future appears to be quite in harmony with the long pull outlook therein expressed.

How Shall We Use Our Excess Manufacturing Capacity

Our Prosperity Depends on It and Yet National Policy Favors Selling Without Buying

DR. JULIUS KLEIN, Chief of the Bureau of Domestic and Foreign Commerce
***Interviewed by* THEODORE M. KNAPPEN**

DR. JULIUS KLEIN
New chief of the Bureau of Foreign and Domestic Commerce and one of the recognized authorities on foreign trade

THIS is the task of the Bureau of Foreign and Domestic Commerce: To find a market for that 20 per cent of excess manufacturing capacity with which the war and its sequences have left us, without letting the foreigner send us either manufactured or agricultural products in return; that is, if they are of such a nature as to compete with our own agriculture or industry.

"It's like trying to travel in opposite directions at once, isn't it?" I asked Dr. Julius Klein, who as chief of the bureau is charged with this pleasant little job.

"In a way it is" was Dr. Klein's answer, "for you might say that our national policy is to sell without buying. We are striving to sell our agricultural products to industrial nations without taking back manufactured goods, and manufactured products to agricultural nations without accepting products of the soil in return. At the same time we must find a market for our agricultural products or our farmers will suffer severely; and unless we can place that 20 per cent of surplus goods capacity there will be stagnation in industry. The demands on our industry occasioned by the war have left us with a capacity in many lines that is considerably greater than domestic requirements. That situation is one of the factors contributing to unemployment. We shall never be able to put all our machines and all our workers to work again unless we can find foreign markets. In that sense our days of self-containment are gone. We may regret it—some of us—but it is the fact and must be dealt with without whimpering."

"But under the conditions imposed by the national policy regarding foreign trade, will it not be impossible to find markets?" I asked.

Nationalism in Industry

"Wasn't it the motto of the A. E. F. in France, 'It can't be done, but here it is'? Well, you might think our job is impossible, but we are doing it. You see the war made sweeping changes all over the world. Self-determination sounds more like politics than business doesn't it? But it has mussed up trade relations all over the world, and the ill winds that have blown from it for some have been good for others. The new spirit of nationalism manifests itself in industry as well as in governments. All these new or renascent nations, as well as those dependencies that aspire to be independent, want to establish a symmetrical economic life. **China, India, Egypt and the whole nest of new states in Europe are going in for manufacturing.** The same is true of some of the nations hitherto politically independent, but more or less dependent economically; the Argentine, for example. They need industrial machinery—and that nicely complements the fact that our facilities for producing industrial machinery are about 20 per cent larger than the requirements of the home market."

"It would seem, however, that the very selling of industrial machinery would mean the cutting off of markets for the goods that sort of machinery makes here," I interposed at this point.

"It does, but then something else always turns up. We sold shoe-making machinery to Argentine and lost a great market for shoes, but note that the development of shoe factories in the Argentine has created a larger market there for shoe findings than we ever had for shoes.

Still Ahead of the World

"Then, again, the industrial ingenuity of this country seems to be inexhaustible. The development of our industrial technique is going ahead by bounds. We tend to be a little ahead of our competitors all the time. As we introduce new machines, they have to have them. **While they are ousting us from one part of their market by using our old machines, our new ones or some other advantage in technique enables us to slip into another part of their market.** In this way we are selling shoes in places where we couldn't compete before.

"'It can't be done; but here it is.' A number of our industries—in the face of exchange problems, a general effort throughout the world to cut down imports and all the other difficulties of these troubled years—are actually selling more goods abroad now, both in value and quantity than they did in the roaring years of 1919 and 1920. Take automobiles, for example. As foreign tariffs rise against them, our manufacturers are establishing assembly plants all over the world, shipping the cars to them knocked down, saving freight and tariff duties.

Getting Materials Directly

"Of course, in the end, with all the world owing us already, we cannot expect to go on selling and thus making additional debits unless we are willing to let down our tariff bars somewhat. But in the meantime, there is a lot of slack and changes in international trade that give us some opportunities. Before the war we were wont to buy certain products through merchant nations instead of from the nations producing them. Bolivia's tin went to England and thence to us; so with the rubber of Brazil and the East Indies; cacao went from the Indies to Antwerp and afterwards to us. That is all changing; we are getting these materials directly. That shift gives certain regions credits here against which to take our products. Triangular trade and financial relations also help. There are still some regions that export to us more than we import from them.

Troubles of Our Competitors

"Then, too, international trade is not trade between governments but trade between individuals, just the same as domestic trade is. If a man in Ceylon or Patagonia wants some American product, he will find a way to pay for it. There are all sorts of American patented and specialized goods that everybody everywhere simply will have. Such trade is a sort of monopoly. Another thing that helps us in our work of finding a market for our surplus manufactured goods is the fact that European competition is not what it was supposed it would be, although I would not belittle it. **In one way and another our competitors have more troubles than we have.** Germany is fast losing all the advantages of the cheap mark. Wages are going up by leaps and bounds and internal railway freight rates have been advanced three times within three months. Complaints are coming in of the poor quality of German goods."

"Do you find," the interviewer asked, "any evidences that our manufacturers are beginning to realize that they must permanently depend on foreign trade hereafter?"

"There are many. Look at the amazing increase in the number of American Chambers of Commerce abroad and their growth in membership. Consider the fact that the inquiries we receive from our manufacturers regarding foreign trade steadily increases, being now around 8,000 a week. Don't forget the American banking houses that are being established all over the map. Seventy great manufacturing associations with a membership of 155,000 are now actively co-operating with us in our trade extension plans. Recently sixty or more middle western banks formed an association to handle foreign trade, because of the demands of their clients for help in foreign fields. We are gathering momentum of interest, knowledge and experience. American films and American correspondence schools are making American business.

Modern Methods

"You would be surprised if you were to take the time to observe what an interest big business men are taking in our new commodity divisions. These have been built up solely because business wanted them, not because we wanted something to do. They are being shaped by business precisely to its needs. They are not academic; they are intensely practical. We have now about a hundred trade commissioners and commercial attaches scattered around the world. With our consuls they make a force of about one thousand that is largely occupied as a selling agency for American products. I don't mean that they act directly for individual concerns, but they are promoting the sales of American goods in very direct and practical ways. Their work is actually resulting in orders as well as inquiries coming directly to this bureau. Their information rushed through by cable is selling American goods every day in the four quarters of the world. Much of it is so "hot" that we don't dare to publish it. We telephone and telegraph some of it to the business associations; some of it goes by mail.

> **"The demands on our industry occasioned by the war have left us with a capacity that is considerably greater than domestic requirements. That situation is one of the factors contributing toward unemployment. We shall never be able to put all our machines and all our workers to work again unless we can find foreign markets. In that sense our days of self-containment are gone. We may regret it—some of us—but it is the fact and must be dealt with without whimpering."**

"You see we are working up a great team organization of American business for foreign trade purposes. Business tells us what it wants and we tell business everything we know or can find out through American diplomats, consuls and trade commissioners. Why, it's getting to be the thing for our manufacturers to send their officers here to Washington to sit down for weeks and months at a time to study what we are doing and the product of our doing. No American manufacturer need go out desperate and lonely into the highways and byways of foreign trade. Let him consult and confer with us and the old hands in the game, and if he will take the time he can go out with all the equipment of a veteran. **Today there are 13,000 American concerns that are actively engaged in foreign trade.**

"Under the stress of necessity and backed by their capital, their unparalleled development of technique, the limitless resources of American banks, the educational work that we are now doing, the co-operation of the new merchant marine—well, sometimes I get so enthusiastic that **I like to think that as we won this continent in the last century we shall win the world commercially before the middle of this century. But let us be conservative and say only that we are pretty sure to get that percentage of export business that we need to restore and maintain prosperity."**

Variations of the Bonus

Under the New Plan the Banks Would Be Under Pressure to Make Large and Unproductive Loans

The most striking and in a way the most discouraging national financial episode of the past few weeks has been the presentation of successive bonus schemes whose object has been in one way or another to get around the objections that have been raised by President Harding and other party leaders. After the President's strategy had practically defeated the bonus in its original form, through the impossibility of getting a unified body of support for any scheme that would include a plan of taxation designed to provide means for paying the sums due to veterans, bonus Congressmen devised an inflation plan which is now the most immediately imminent danger in the whole proposition.

Under the project thus devised, ex-service men, instead of being paid in cash, would receive a "certificate" upon which they could borrow at banks up to an amount equal to, say 50% of its face. The rate of interest would be not over 2% above that currently charged by Federal reserve banks in the several districts which would mean on the present basis 6½ to 7%. After a specified period, the owner of the certificate would be authorized to present it at the Treasury for redemption and retirement and with the proceeds thus realized would be able to pay off the loan which he had obtained at his bank.

Bonus advocates estimate that the amount possibly to be borrowed under this plan would be around $1,100,000,000, but the earlier figures given out by Secretary Mellon with respect to the actual cash cost of the bonus in its earlier form, would seem to indicate that the amount which might be borrowed under the new plan would be from $1,500,000,000 to $2,500,000,000. Remembering that the discounts carried by Federal reserve banks on Government obligations as collateral even during the war, never ran to anything like the higher of these figures, it is easy to understand the serious danger which such a program obviously may entail if carried into practical effect. There would of course be nothing in the law to force a bank to make such loans but pressure for them would be strong.

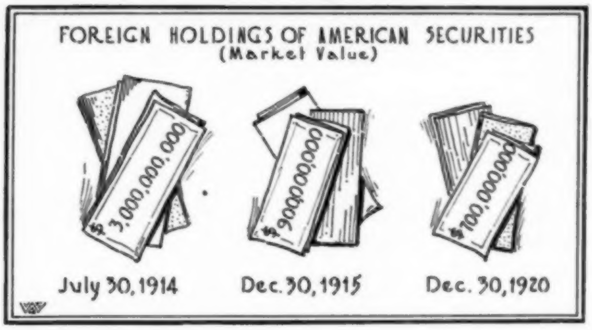
> **"——— Look at the amazing increase in the number of American Chambers of Commerce abroad and their growth in membership. Consider the fact that the inquiries we receive from our manufacturers regarding foreign trade steadily increases, being now around 8,000 a week. Don't forget the American banking houses that are being established all over the map. Seventy great manufacturing associations with a membership of 155,000 are now actively co-operating with us in our trade extension plans. Recently sixty or more middle western banks formed an association to handle foreign trade, because of the demands of their clients for help in foreign fields. We are gathering momentum of interest, knowledge and experience."**

Is Europe Ready to Repurchase American Securities?

Over $3,000,000,000 American Securities Were Held by Foreigners Before the War—Most of These Securities Now in the Hands of Americans—Will They Stay There Permanently?

By **E. D. KING**

A FEW months after the war broke out in August, 1914, American securities held abroad were being returned here at the rate of over $120,000,000 a month. **Within fifteen months after the opening of hostilities or at the end of 1915, about $1,500,000,000 of American railroad, industrial, municipal and Government securities had been thrown on these markets.** This selling represented the offerings of foreign Governments, financial institutions and private investors who were compelled to dispose of their securities owing to war pressure, the principal factor, of course, being the rapid draining of European resources which was the result of the tremendous effort put forth toward securing sufficient funds with which to carry on the war.



As the war dragged on this selling became less pronounced. Europe came more and more to depend on financing her military enterprises through credit secured in this country and elsewhere. Nevertheless, the strain on her financial integrity continued in such fashion as to compel continued selling even after 1915, though on a modified basis, until **when the war finished it was estimated that Europe owned no more than 25 per cent of her original American security holdings.** Thus, almost the complete effort of generations of savings on the part of Europeans was undone and the savings were swept into the pockets of Americans.

The Present Situation

Up to the present this situation has not changed greatly. We are still holding the several billion dollars' worth of securities which Europe dumped into these markets after the outbreak of the war. This would seem to represent a permanent American gain.

It may seem to some that it is somewhat premature to discuss the possibility of European repurchases of American investments, in consideration of the still unsettled state of so many European countries. However, sufficient economic progress has already been made in Europe during the past three years to warrant some consideration of this question. **In fact, there are already evidences that if Europe is not indeed buying back the securities which she threw on the American market in 1914-1918 she is at least buying back some of her own war-time securities which she sold to us in the war.**

This is of course more particularly true of Great Britain than any other foreign nation. There is absolutely no question that the recent rise in sterling values has been partially due to the highly successful attempt of the British Government to refinance part of her war-loan debt to this country through means of encouraging the conversion of her external obligations into internal bonds. In order to accomplish this result it has been necessary to advance sterling to a figure to make conversion attractive. The net result has been to materially diminish the amount of the British external war-debt held in America, at the same time increasing the amount of her internal obligations. As a bit of financing, this stands as a model of expert governmental maneuvering. It must be admitted that the British are masters in such things.

In addition to this financing there has been some effort at repurchasing of foreign securities formerly held abroad and sold to Americans during the war. Among such are the Argentine and Japanese issues which were largely held in Great Britain before the war. The British are now turning to these issues for the investment of their surplus funds.

Surplus Funds in London

At this point, it would be well to consider what the investment position of Great Britain actually is. There is no doubt in the writer's mind that the British are in a much better position to invest in large amounts than is generally considered to be the case. With call loan funds in London down to 2½% against our own rate of 5%, it must be apparent that there is a large surplus of investable funds in the London market. In fact, during the past few months there has been a real "bull" market in British securities, indicating that the British are by no means as bereft of funds as Americans think.

The British have been for several years investing heavily in the industries of Germany, Austria, Czecho-Slovakia and in other countries. This has been done unostentatiously and even at a time when it seemed that the value of sterling would remain perpetually below the $3.50 mark. But sterling is now above $4.40 and looks as if it were on the way to parity ($4.86).

According to these indications and considering that the international financial position of Great Britain is steadily improving by virtue of the slowly rising balance of trade in her favor, it is not difficult to see that eventually British security owners will again turn to their old American investments which used to be so popular in the European Stock Exchanges. Among such issues were U. S. Steel common, Union Pacific common, West Shore 1st 4s, Southern Pacific 1st 4s, and Reading common.

AMERICAN RAILROAD SECURITIES HELD ABROAD

AT THE OUTBREAK OF THE WAR

MARKET VALUES.

Security	Maturing January, 1919 $	Jan. 1, 1920, to Dec. 31, 1924 $	Jan. 1, 1925, to Dec. 31, 1929 $	Jan. 1, 1930, to Dec. 31, 1939 $	Jan. 1, On and after Jan. 1, 1940 $	GRAND TOTAL $
1st Preferred	....	....	....	....	....	161,280,900
2nd Preferred	....	....	....	....	....	99,900
Common	....	....	....	....	....	633,802,162
Notes	54,921,000	6,438,640	16,000	....	....	61,375,640
Rec. Ctfs.	998,000	....	....	....	....	998,000
Coll. Tr. Bonds	5,006,000	70,060,567	10,082,000	8,408,000	132,453,848	227,610,415
Eq. Bonds	1,332,000	1,129,700	14,902,589	....	....	17,364,289
Car Trusts	792,000	16,000	....	....	....	808,660
Deb. Bonds	32,210,000	928,000	85,941,500	86,693,160	1,232,650	204,005,310
Mtge. Bonds	16,129,400	62,365,367	182,978,300	180,852,216	826,631,443	1,269,086,726
Total	112,988,400	141,938,367	293,930,389	272,053,376	960,317,941	2,576,401,342

"Sterling" as an Influence

The question as to whether the British and other nationals will once again acquire American securities on a large scale de-

(*Cont. on p.* 720)

In What Position Is the Stock Market Today?

By **RICHARD D. WYCKOFF**

IN our issue of December 24th last, I presented a forecast of the stock market for 1922 in which the following conclusion appeared:

"Indications for the coming year are that the average price of 50 stocks, which, as this is written, stands at 68, will work up to between 80 and 90; but I should prefer to take a conservative attitude in view of the fact that the record average prices of the 50 stocks were made under the stimulation of the great rise in industrials during 1919.

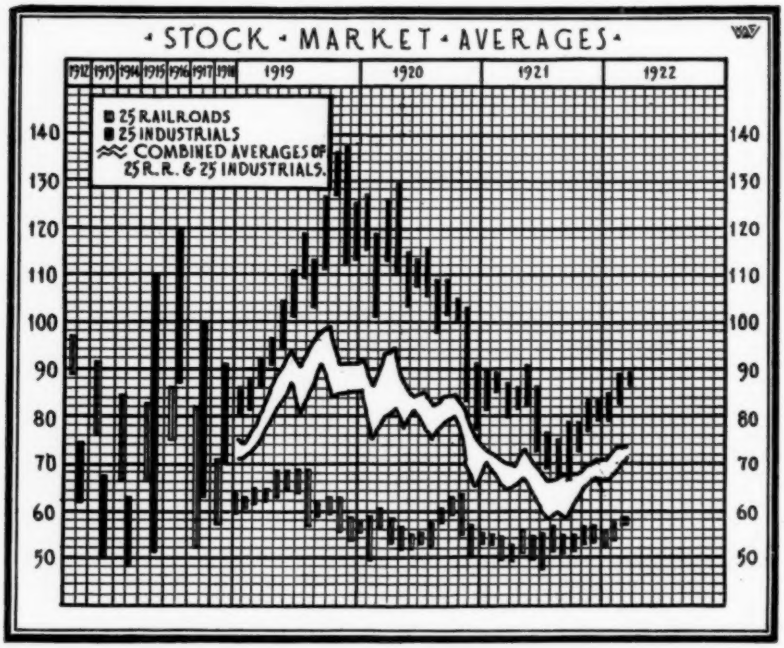
"Such a rise should be greatly aided by a recovery in the rails, many of which are now in a strong position. We are evidently in a period when railroad dividends will be inaugurated, resumed and increased. In view of the vast amount of these holdings, this prospect should be gratifying. It may be that this influence will carry the averages above the figures I have mentioned, but nothing at present seems to justify any expectation of the average getting above the 90 mark."

Although, as I stated at the time, forecasting is a risky business, nothing has occurred to change the outlook. In fact, numerous confirmations of the accuracy of this view have appeared in the market.

Judging the trend of prices is a good deal like watching the condition of a patient. As any doctor will tell you, he observes pulse, temperature, the effect of food, medicine, stimulants, and as the disease progresses toward a crisis, he is fairly well able to predict how it will be passed. But his judgment is subject to constant modifications, based on new symptoms which appear from time to time.

The Patient Able to Get About

Translated into stock market lore, the patient has been very ill; in fact; he spent the greater part of last year in bed. Once or twice it looked as though he would pass away completely—that was in June and August—but by September a substantial recovery had been recorded. This was followed by a partial relapse in October. From that time the patient has made steady progress; in fact, he is now able to walk about a little. He may soon play a little golf, but positively no base ball, boxing or wrestling till later in the year.



In other words, the average price of 50 stocks has (March 8) worked up close to 73.74 on the graph herewith—the merest fraction of a point higher than in February. This was made possible, chiefly, through comparative strength in the 25 industrials which rose to 89.76 in February, a recovery of about twenty-three points. On the other hand, the rails did not respond to anything like the same extent, the highest in February being 58.82, or about twelve points rally. As a group, the railroads have lagged, but now seem to be taking on renewed life. Their backwardness may have been due to the fact that the railroad stocks included in these averages are of various grades, running from a number of non-dividend payers, rather sluggish in their market movements, to high priced standard rail issues which not only pay dividends, but move more in harmony with the swings of the market. However, we have learned that in the long run the average price of 50 stocks reflects all conditions—banking, commercial, transportation and investment.

Reason for Encouragement

Taking the action of the market as a whole, the investor should feel encouraged as to his holdings of long stocks which, if he exercised good judgment, were acquired during the low levels of 1921. It is unreasonable for him to expect that following a bear market of unusual length and severity there should be a business recovery sharp enough to produce a very rapid rise in prices of leading stocks. In fact, if such a thing should occur, it would be an unhealthy sign and would lead to liquidation by important operators who always act as a balance wheel in the fluctuations of the market.

The year has made a good start. There are additional signs that the average price of 50 stocks will, as previously indicated, work up to between 80 and 90. If the lower figure is attained, it will mean a recovery of about half of the decline from 1919-1921. Such an upward swing would be more or less normal for the period named, and should be accomplished during the next six to nine months.

An advance of that extent would mean much more than a further recovery of, say, six points, which would be indicated by the averages. In some cases stocks included therein might rise twenty or thirty points, and others only a few points.

The Railroad Stocks

As a group the railroad stocks appear to offer excellent possibilities, and it is well at this stage to call attention to the great discrepancy between the present average price for this group (about 57) and the high prices, shown by the light shaded line in the graph, for 1912 and 1916. Many leading issues were, in 1912, selling far above their present levels because they were more closely held; were much sought as investment securities, and anti-railroad propaganda and legislation had not yet led to dire results. For a group which formerly stood so high in the estimation of American and European investors, the railroad stocks have recovered but a small portion of the ground which they will have to retrace in order to reach their former high estate. This the best of them seem destined to do in time.

Some very striking changes will be observed by comparing market prices of ten years ago with those prevailing today in railroad shares. Baltimore & Ohio, for example, is selling at one-third its 1912 figure; Canadian Pacific less than half; St. Paul common about one-fifth, etc. Of course there have been capital changes among some of the companies, but the greatest differences lie in earnings and dividends. The main point to remember is that a stock like Union Pacific which ten years ago ranged from 150 to 176 is the same property with its large earnings temporarily interrupted but with the possibilities just as great, with some reservation as to the Government recapture clause. The safe roads, that is, those which are earning substantial surpluses

over their dividend requirements, and were able to do so in 1921, should in some cases increase their dividends within a year or two, and sell at higher prices than they did in 1912.

Some Factors Which Should Advance the Average Prices

While the railroad stocks, owing to their comparatively low levels, seem especially attractive at this time, this is only one of the factors which should help lift the average price of fifty stocks to the general level previously indicated. A pronounced industrial recovery is underway. One line of business after the other is feeling the impulse of improvement in its own field or in those somewhat related; hence it is only a question of time when in most lines there will be a resumption of activity at 90% to 100% capacity, with the exception of excess war capacity.

Another factor is the accumulation of capital throughout the world, which is reflected by easier money rates, and as a consequence, rising bond prices. A few months ago I illustrated the action of these forces, showing why investment demand, which gradually absorbs various grades of investment securities finally flows over into investment stocks. This influence is now in evidence.

A third important factor is foreign demand for American securities referred to on another page in this issue. This should demonstrate itself more in the railroad than in the industrial field, for foreign investors and institutions, for decades prior to the war, were heavy holders of our transportation stocks and bonds. With America the safest place in the world for the investment of money, there is no question that this will be an important factor in 1922 investment security prices.

These are but a few of the influences which are contributing to create the bull market which is now underway, and which has traveled only part of the road to its culmination.

COMPARISON OF PRICES OF SOME LEADING RAILROAD STOCKS IN 1912 AND 1922

	Year 1912			March 9, 1922	
	High	Low	Div. Rate $	Price	Div. Rate $
Atchison	111¾	103¼	6	96⅛	6
Baltimore & Ohio	111⅞	101¼	6	37	..
Canadian Pacific	283	226½	10	136	10
Central of New Jersey	395	305	12	192	8
Chesapeake & Ohio	85¼	68⅛	5	59	4
St. Paul common	117⅝	99⅝	5	23	..
St. Paul preferred	146	139¼	7	37	..
Chicago & Northw. common	145	134⅛	7¾	69⅛	5
Chicago & Northw. preferred	198	188	8	110¼	7
Delaware & Hudson	175½	162	9	111¾	9
D., L. & W. ($50 par)	298½	265	10	114	8½
Lehigh Valley ($50 par)	92⅞	78	10	59¾	3½
Great Northern preferred	143¾	126	7	74¾	7
Illinois Central	141⅛	120⅝	7	101	7
Louisville & Nashville	170	138	7	113	7
New York Central	121½	106⅛	5	78⅛	5
New Haven	142¼	126	8	17	..
Northern Pacific	131½	115⅝	7	80	7
Pennsylvania ($50 par)	63⅛	60	3	35⅝	2
Reading ($50 par)	89⅝	74	3	73½	4
Southern Pacific	115⅛	103½	6	84⅝	6
Union Pacific	176¾	150¾	10	132	10

Henry Ford's Squeezing Process

Ford Ignores the Fact That It Was the Small Holder of Railroad Stocks Who Came to the Rescue of the Carriers When Help Was Most Needed.

THE refusal of the courts to approve of Henry Ford's scheme for squeezing out the remaining two per cent of minority stockholders from the Detroit, Toledo & Ironton R. R., should prove to Mr. Ford that he is not above the laws of the United States, and that the constitution and the Supreme Court are even greater factors in American life than Henry Ford and more powerful than he.

The Real Owners of the Railroads

He talks about "unproductive small stockholders." We should like to say that the small stockholder may be unproductive in the matter of creating earnings, but he is very productive in one way which Mr. Ford would do well to understand. When the railroads of this country were owned or controlled by a comparatively few wealthy individuals, estates, institutions, and affiliated interests, nobody said anything about the unproductive small stockholder, but when all those large interests saw danger ahead and sold their railroad securities, the unproductive small stockholder came in very handy, for it was he who, with his little ten share purchases and hundred dollar investments, took the railroads of this country off the hands of the magrate. **The small stockholder owns most of the railroads today.**

Whether the small investor ventured his money on the basis of the past record of the railroads, or the hope for their future, and whether he was wise or ignorant in so doing, need not concern us. The fact is that he did buy railroad stocks when nobody else would, and he carried them down to the very depths, in many cases only to pay an assessment and further add to his burden.

Small Stockholder Deserves Credit

So, if there is any kind of small stockholder on earth that deserves credit and consideration, and fair and honest treatment from Henry Ford, and everybody else who has to do with the management of railroads, it is the small, so-called "unproductive" stockholder whom Mr. Ford would like to squeeze out, or kick out, or get out in any other way that he can.

Mr. Ford is a great man in many respects. In other ways he is a thousand times worse than the Shylock who was supposed to be typical of the race against which Mr. Ford propagands. There is this much to be said about Shylock: He lent his money for the pound of flesh which he exacted.

Anti-Bucket-Shop Legislation

State and Federal Authorities Taking Action—Great Danger in Hasty Legislation Framed by Those Who Do Not Understand

FAILURES among the bucket shops are still coming along at the rate of from three to six per day. Another New York Stock Exchange house has failed, but it is a satisfaction that such misfortunes are rare. The closing up of numerous concerns of which few people have heard, who did not advertise, and were apparently doing business under cover by mail, telegraph and telephone, shows how secretive some of the bucketeers have been in going after the public's money.

Chicago, Philadelphia and other large centers have had their share of the failures. It is a good deal like liquidation in the stock market: The effect of it is cumulative because each failure induces more people to take their money or securities out of the remaining bucket shops—if they can.

The District Attorney of New York City, the Legislature at Albany, and the Congress at Washington are busy with new bucket shop bills intended as cure-alls, but the greatest possible damage can be done by hasty legislation. As an example: The first bill introduced into New York State Legislature this session was one originally designed to protect legitimate thrift societies from the competition of those coming in from other states, and from competing in what was claimed to be an illegitimate way with our local establishments. In looking over this bill I found it contained provisions which, if enacted in law, would permit the bucket shop to blossom forth under a new guise, and be protected therein against some of the steps that are about to be taken against them.

Another proposed act prohibits the maintaining of the kind of bucket shops that long ago became obsolete. Other bills relate to the filing of particulars of shares of all companies whose securities are bought and sold. Senator Katlin's bill calls for the licensing of both Curb and Stock Exchange brokers by the State Superintendent of Banks.

The Question of Licensing

At a recent hearing in Albany this question of licensing became a very important issue. The New York Stock Exchange voiced opposition to it. The District Attorney of New York City was in favor of it, and the President of the Consolidated Exchange stated that in his opinion it was necessary.

The Grand Jury for New York County, having heard many complaints against those accused of conducting bucket shops or trading against customers, and of selling securities by false and fraudulent representation, resulting in many indictments, has made recommendations in favor of (1) investigation of security issues before they are offered for sale; (2) licensing of brokers; (3) brokers and exchanges to be put under proper supervision; (4) that the Secretary of State, the State Banking Department or another newly created department be placed in control of the situation; (5) that the records of such supervision be open to any person having a legitimate interest therein.

In Washington we find the Denison Bill being offered as a protection against the use of the mail by crooks and other agencies of interstate commerce for transporting and for promoting or procuring the sale of securities contrary to the laws of the States. This proposed bill is the result of careful work by a committee representing the Investment Bankers' Association and the Economic Policy Commission of the American Bankers' Association. It is also stated that the House Committee on Interstate and Foreign Commerce is ready to approve and report favorably upon the bill as it stands. It is aimed at the evil of promoting and selling fraudulent securities.

New Laws Must Work

While the intentions of these legislators and officials are perfectly sincere, there is great danger in the passage of any bills which are not thoroughly thrashed out by those who know the stock brokerage and investment security business, as well as the tricks of the bucket shops. Those attempting to place new laws on the statute books should remember what damage has been wrought with railroad securities during the past fifteen years, by the same kind of tinkering with situations that were not entirely understood. Unless this thing is done properly the situation will become worse, not better; the bucketeers will find loopholes in the laws by which they will be protected to a greater extent than before. It is highly dangerous for any step to be taken in this regard without the approval of those who know all the inner workings of Wall Street.

Control by State and Federal authorities, the licensing of brokers, a periodical examination of their books, and other safeguards should be such as to leave no avenues for those who will be quick to flock back into Wall Street as soon as the present excitement dies down. Many of the bucketeers who are under indictment in New York City have departed across the river to New Jersey, where they are already beginning to circularize and telephone as in the old days. This is a simple illustration of the advantage of Federal legislation.

Evidence growing out of the recent failures is convincing even opponents of proper control that something must be done to keep the business of stock brokerage on a safe and sound basis. Nevertheless, there is a certain amount of propaganda going about, some of it taking the stand that examination of brokers' books is all right, *after* there is reason to believe such an examination might disclose irregularity, and that the Martin law, which is already on the statute books, fully covers this need.

District Attorney Joab H. Banton of New York City says:

"The conditions which have been revealed through the numerous complaints made to the District Attorney within the last two months show great need of some legislation, not so much to punish as to prevent crime. But, strange as it may seem, New York has only punishment statutes against those who prey upon the investing public either by offering and selling wild-cat securities; by bucketing orders; by trading against orders; or by conducting wash sales.

"The complaints that have come into this office fall into two general classes:

"*First*—Those in which the complainants have been defrauded by false representation of existing facts or false promises of future conditions and, by reason of these false representations or promises have stolen from the public large sums of money. The sale of wild-cat securities has gone to such an enormous extent that it is estimated that the people of the United States have been swindled out of $750,000,000 within the last few years. This class of crime flourishes during days of prosperity. When money is abundant, the smooth-tongued salesman is able to obtain from the gullible public any amount of money for fake securities.

"The pending legislation at Albany relates to this first class of cases and is an effort to prevent the continuance of this kind of fraud on the people.

Oral Communication

"Such legislation makes a good beginning. It is safe to say that not one out of twenty issues offered to the public by telephonic or oral communication is worth anything. The same ratio will prevail in other issues except such as are offered by reputable banks and well known houses. It does seem that something should be done to protect the people against this form of swindle and just why any person should oppose such legislation is a mystery to me.

Second—The other general class of cases includes those who act as brokers taking an order to buy or sell securities and who bucket the order, which means that they take an order but never buy or sell; or who trade against orders, which means that they use their superior knowledge of the market against the knowledge of their customer; or, those who make wash sales, which means that the brokers operating together make pretended sales of securities but which in fact are not sales and by which a false market value is created, either above or below the actual value of the securities.

"We have ample statutes relating to all of the classes of crime above mentioned but we have no statute which will enable us to prevent such crime. The difficulty of prosecuting those accused of crimes in the second general class lies in the fact that these crimes almost in every instance must be proved by the books of the broker. If he destroys these books, or, if he has gone into bankruptcy, and a federal judge refused to permit the receiver to deliver

(Continued on page 732)

Foreign Trade and Securities

Which Is It; Sterling Up Or Dollars Down?

The Volume of United States Trade Compared with That of British Trade—Foreign Exchange Factors—Will Sterling Go to Par?

By **THOMAS B. PRATT**

STERLING exchange advanced recently to over $4.40 to the pound. This is an advance of 20 cents since the first of the year, of nearly 90 cents from the low of last year, and of $1.25 from the lowest point reached after the removal of artifical stabilization following the signing of the Armistice. The low point of $3.18 was recorded in February, 1920.

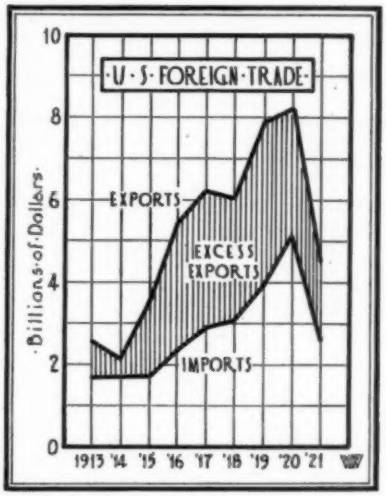
This remarkable rise in sterling exchange has been the subject of considerable comment and discussion in financial circles. A multitude of reasons have been advanced by bankers, economists and commentators, several of these reasons touching upon the real cause, but others ascribing the rise to purely sentimental or psychological tendencies.

From the point of view of the future of finance and industry in the United States, this increase in value of the British pound sterling is of the utmost importance. The causes for it are daily affecting the course of economic events in this country. **The movement has been so pronounced and it has been prolonged over such a long period that there is unmistakable evidence of a decided trend in international economic developments, the results of which, while perhaps not perceptible from day to day, will determine to a large extent our future place in international trade and finance.**

In considering this advance, it is well worth while from the American viewpoint to look into it from the angle of whether it is entirely due to improving conditions in Europe, in other words an actual advance in sterling, or whether it may not be due, to some extent at least, to a decline in the value of the American dollar.

The Dollar at a Premium

We have learned in this country that while a dollar that is at a premium in other countries adds somewhat to our prestige as a nation, it is in the long run a costly luxury. It has made us rich, in a sense, but it has also given us new responsibilities, and there is certainly some question whether our economic education as a nation qualifies us for the position we have attained. Certainly we have not made the most of our opportunities, and with the steady



rise in sterling we are now confronted with the possibility of losing our international leadership in finance, and consequently much of our foreign trade that goes with such leadership.

The war gave the United States the opportunity of increasing its foreign trade to an extent never dreamed of prior to 1914. In 1913, our total foreign trade, including both imports and exports, was $4,277,000,000, and our export trade balance was $691,000,000. The following year our total trade was reduced to $3,903,000,000 and our export balance to $325,000,000. In 1915, war orders commenced to be shipped to Europe and our export balance was $1,776,000,000. By 1917, our total trade was over twice that of 1913, amounting to $9,183,000,000 and the export balance was $3,279,000,000. Our largest export balance was in 1919, when it was $4,016,000,000, or about the same as our total trade in 1913. From 1915 to 1921, a period of seven years we sold to other countries $20,206,000,000 more than we bought. At the present time our export trade is declining at a rapid rate. Our export balance was one billion dollars less in 1920 than it was in 1919, and we lost another billion dollars in our balance in 1921 over 1920. Our exports in 1921 were $4,485,000,000 as compared with exports in 1920 of $8,228,000,000. In other words our export trade was cut in half.

How Europe Paid Us

Aside from the past two years, however, the war gave the United States the opportunity to sell to other nations approximately sixteen billion dollars excess of goods. The other nations of the world had to pay for those goods, and payments were made in numerous ways. At the start of the war we owed Europe about four billion dollars which had been advanced to our railroads and industries through the purchase of stocks and bonds. Most of these securities were returned to us. Our Government loaned the Allies about ten billion dollars, our investors have loaned foreign governments a net amount of about one and a half billion and have invested in securities listed on foreign stock exchanges and in currencies of foreign governments and have deposited in foreign banks a sum that is variously estimated from one and a half billion to three billion dollars additional.

In these and other ways Europe has been able to pay for our goods. But during the process, European nations have had to borrow huge sums at home and in doing so have issued currency, notes and bonds which have steadily deflated the value of the currencies of those countries. Deflation leads directly to decreased purchasing power with the result that foreign currencies in relation to the dollar became less valuable. **The long period of depreciated exchanges has been due, therefore, both to the large purchases made in the United States and to the decline in value of foreign currencies in the countries of issue.**

It is interesting to note that the low point of practically all currencies (except those of certain Central European countries in which deflation has proceeded to such an extent that recovery is almost impossible) was recorded in the early part of 1920, and that from that time on exchanges have been steadily improving, except for seasonal

GREAT BRITAIN

(Last three figures omitted)

	Exports	Imports	Total	Excess Imports
1921	£810,252	£1,086,878	£1,897,127	£276,626
1920	1,557,975	1,936,742	3,494,717	378,767
1919	963,384	1,626,156	2,589,540	662,772
1913	634,821	768,735	1,403,556	133,914

reactions. It was also in 1920 that our export balance commenced to decline, but this was not due in that year to the loss in export trade nor was it due to improving conditions abroad. It was due to inflation in this country and to extravagance. Our imports that year amounted to $5,278,000,000, which approximately equals our total foreign trade in 1915, the first year of our war prosperity. Europe was still in a position where she had to buy from us. The reconstruction process demanded enormous purchases of raw materials. These purchases were made at great sacrifices to European countries owing to their depreciated currencies, but they had to be made.

The high peak of our prosperity came in the early part of 1920. The warnings of the depression to come were many but were for the most part ignored. There was the silk crash in Japan in the early part of that year, which was followed by the wool and leather crisis later in the United States. Cotton and sugar were affected in the fall of that year and before the year was over the depression had become general. Our prosperity had been of such long duration, money had been made so easily, prices and wages had advanced so frequently and precipitately, that most of us lost sight of the fact that it was all based largely upon an artificial stimulus—an extraordinary export trade due to the necessities and misfortunes of Europe. We began to pay for our wealth.

THE IMPROVEMENT IN THE FOREIGN EXCHANGES

	Low 1920	Low 1921	Dec. 31, '21	Mar. 4, '22	Advance from Low 1920	Advance from Low 1921	Advance from Dec. 31
Great Britain....	3.18	3.53	4.21¼	4.40	1.22	.87	.18¾
France	5.78½	5.79	8.13	9.05½	3.27	3.26½	.92½
Italy	3.31½	3.57	4.39½	5.21½	1.90	1.84½	.82
Belgium	5.99⅝	6.09	7.75	8.57½	2.57⅝	2.48½	.82½
Switzerland	15.14	15.22	19.51	19.53	4.39	4.31	.02
Holland	29.30	30.40	37.00	38.12	8.82	7.72	1.12
Sweden	17.65	19.90	25.25	26.25	8.60	6.35	1.00
Norway	12.97	11.70	16.18	17.45	4.48	5.75	1.27
Denmark	13.00	14.95	20.20	21.10	8.10	6.15	.90
Spain	11.75	12.48	15.00	15.93	4.18	3.45	.93
Germany	0.99	0.32¼	0.54¾	0.39½	*59½	.07¼	*.15¼

*Decline.

NOTE.—Sterling is quoted in the above table in dollars. All other quotations are in cents. With the exception of Germany, exchanges on the countries shown above have shown steady advances. The rise since the first of the year has been marked and is a continuation of the movement that started in 1921. The situation in the Central European countries is just the opposite from that shown above because in those countries inflation of currency has been coined to such excesses that repudiation of outstanding currencies is their only recourse.

Recovery in Exchange

With Europe reducing her purchases in the United States, the supply of European exchange commenced to decrease. A demand for such exchanges developed also through the purchase by American investors of European securities. The only drawback to the recovery of these exchanges to normal, therefore, was the purchasing power value of them in their own countries. And the only way that this value could be increased was for those countries to reduce their expenditures, balance their budgets and gradually retire outstanding currency. In other words, their currencies could not be restored except by deflation.

Their dependence upon us was lessened with each passing month, however. They began to increase their production and consequently their export trade. They gradually did more business with each other and with other parts of the world than with the United States.

The favorable factors that have helped England during the past twelve months, and which as a result have materially improved the value of the pound sterling, are numerous. There was first the settlement of the coal strike that had threatened one of England's most important export commodities; next the conference on the reduction of armaments, which permits England to reduce her naval expenditures materially and which does away with the fear and disastrous consequences of a naval ship-building race; the settlement of the Irish question, with its resulting decrease in expenditures; gold exports to the United States in payment of debits here; the sale of securities to American investors, which provides credits in this country; increased tourist expenditures by Americans abroad; lower interest rates in England, which has permitted the British government to save millions of pounds in interest payments on the floating debt; and the financing of other foreign countries by the investors of this country.

England's Improving Trade Balance

But the most important development, and the one that has been most responsible for the improvement in sterling, has been the improvement in British trade reports. In 1919, Great Britain had an unfavorable trade balance of £663,000,000. The following year it had been reduced to £379,000,000 and last year it was only £276,000,000 a reduction in two years of £378,000,000, or nearly $2,000,000,000 at par of exchange.

These are the causes of the recovery in the pound sterling from a strictly British standpoint. England has been able to balance her budget for two years, she is making great strides in the reduction of her debt, her people are importing less and are working hard for increased production in order that exports may be increased. The government is reducing taxes and is spending less. **The country is even now considering the possibilities of a free gold market, which means that sterling would have to be back near par.** England is beginning to collect for goods sold on long time credit. With sterling steadily returning to par, gold will again commence to go into that country, not to be stored away in the vaults of the Bank of England to lie idle as much of the gold in our Federal Reserve Banks is doing, but to be put out again by her bankers in investments in foreign countries that will increase England's trade. For England is a trading nation, buying and selling in all parts of the world. She produces comparatively little wealth herself, but she helps others to produce wealth from which she takes a trading profit. She has held the financial leadership of the world for a long period. She retired in our favor for a short period in order to defeat Germany, and after that was over she began to set her house in order before taking hold of the reins again. She has a definite goal in front of her and she sets out for it in a manner that has been characteristic of her for centuries. She has already indicated that she is about to resume her leadership and she is now giving American bankers active competition in foreign financing.

This is not written as a brief for Great Britain. She needs no praise for her economic ability. This is merely a recording of the facts for the purpose of seeing how the recovery of England is affecting the United States and our future position among the other nations of the world.

There is no truer example of the old saying that money is not everything than there is in a comparison between Great Britain and the United States. When it comes to wealth, that is, natural resources, territory that is productive, a hard-working population, mechanical genius, and other elements that create wealth, the United States is so far ahead of England that it is useless to compare statistics. In this connection, England's colonies are not considered, for every nation has as much liberty to trade with those colonies as England allows herself. England does the bulk of the business with her colonies because of the ability of her bankers and traders. She requires no artificial governmental aid in order to get and to hold this business.

From the foregoing it is seen that there are plenty of factors working for the improvement of sterling. The advance, while it has been partly due to continually increasing confidence in the ability of England to recover her former prestige, has also had behind it the immutable laws of economics.

The Trend in the United States

Following the depression that started in 1920 in the United States, we went through a period of deflation in our banking system. During our long period of prosperity and for many months following the break in prices, inflation was carried on in this country

(*Continued on page 716*)

The Machinery Outlook

What Officials of Chicago Pneumatic Tool Have to Say About Present and Prospective Conditions

By RALPH RUSHMORE

"MACHINERY" is an all-inclusive term. The machinery industry is made up of innumerable individual companies, serving an almost infinitely diversified field.

The manufacturer of one form of machine might, under certain conditions, be fat and prosperous while the manufacturer of some other form was lean and hungry.

It all depends on the type of machine the company turns out and the sort of business, or industry, in which the product is used.

There is one concern in the machinery field, however, whose products are used in so many different lines, and by such a large number of business groups, that it may be said to be closely representative of the machinery field in general.

That company is the Chicago Pneumatic Tool—manufacturer of compressed air, electric and other automatic hammers, drills, etc., in a vast number of styles and which are used in construction work of all kinds, in shipyards, railroad shops, structural steel erections, indirectly in the manufacture of farm implements and extensively in manufacturing and repair shops.

Seeking a first-hand view of the situation in the machinery industry, it was therefore natural that the writer should select the office of the Chicago Pneumatic Tool Corporation.

Chicago Pneumatic's headquarters are located in the Grand Central section of New York City. A ten-story building, erected by Westinghouse, Church & Kerr, houses the corporation in one of the most commodious and efficiently arranged offices in the metropolitan district. (The building, by the way, is owned outright by Chicago Pneumatic, and is almost solely occupied by its offices. Circumstances at the time of its erection, and the development of the Grand Central zone since then, combine to make the building one of the important investments of the company.)

The General Trend

"What we want to get, particularly," it was suggested, "is a picture of the general trend in the machinery industry."

"We cannot, of course, speak for other companies, or for the industry as a whole," was the reply. "We can tell you, however, about the Chicago Pneumatic Tool Company itself.

"Our business is improving. The sales force has learned in the two years just past that you can't sell unless your sleeves are rolled up. The manufacturing force has learned that good selling must be backed up by the highest quality products. We do not know whether a natural increase in consumptive demand for our products has also taken place. But we are certainly getting better results.

"The improvement is not pictured in dollars of profit. To the layman who makes comparison of our results today with those of six months ago, no considerable change for the better might be noticeable. This, because the improvement has so far been confined to the volume of business done. If prices were unchanged, the importance of this improvement would be better appreciated."

"Is there any single source of demand for your products which is of chief importance?" the interviewer asked.

"No. Chicago Pneumatic Tool's products are used in a great many diverse fields. For example, a hammer is used for riveting, chipping, shoveling, etcetera. A drill has even a greater number of applications."

"In other words, an upturn in your company's operations reflects an upturn in general business conditions?"

"Yes."

Sources of Demand

"How about the railroads—are they getting back into the market?"

"The railroads are doing some buying at the present time—more, that is, than they have been doing.

"One of the chief sources of demand at the present time, however, is in connection with road construction. This is a movement that has assumed large proportions, as you probably know.

"During the war, one of the biggest fields in the pneumatic machinery line was the shipyards. At the present time, of course, this market is practically nonexistent. Nevertheless, there is a likelihood that an increasing amount of business will come from this quarter before much longer."

"You mean you look for ship construction on an increasing scale?" inquired a surprised interviewer.

"No. The clogged condition of the shipping industry is known to all. The demand will come from another quarter.

"During the war, a great number of ships were constructed, and circumstances at the time forced them to be constructed hastily. If, or when, conditions warrant putting these craft into service—a development that would derive considerable impetus, of course, from a shipping subsidy—a correspondingly large amount of repair work will necessarily follow. The outlook for repair work of this kind is one of the important prospects of the shipyards of this country."

German Competition

Officials of Chicago Pneumatic are willing to join forces with others in laying the ghost of German competition. They agree that the Germans are masters in a certain few lines—as, for instance, in the field of toy-making. And where the Germans can obtain the raw materials they need in these lines, it is agreed that, with their cheaper labor, they are likely to prove important contenders for the bulk of the business. Their competition in the machinery and allied lines, however, is not seriously feared.

"One fact, in particular, operates against the success of German products in this market. That is, that their products combine *bulk* and strength, whereas our own combine *grace* and strength.

"The American workman is just as discriminating in the choice of his tools as the American public in its choice of automobiles. None of us will ride in a clumsy, awkwardly built car if a graceful, responsive machine is to be had. The same discrimination in the choice of his tools is one of the greatest single factors in maintaining our American market against German competition."

The Best Trade Index

The interviewer, at this point, recalled a conversation he had had with one official of the company earlier in the day. Asked for his own opinion on business conditions, he had said:

"There is one factor in the present situation which impresses me more than any other. That is the upturn in farm-product prices. Wheat, for example, that sold as low as 98c a bushel in the futures market last year, recently sold on the Board of Trade at above $1.47 a bushel. There is a rise of over 50% in the price of one of the most important farm products.

"Furthermore, I understand that a large part of the wheat now waiting for market is still in first hands.

"Hence, it seems to me that the upturn in farm prices must mean an immediate and substantial benefit to the agricultural community. And I don't know any more significant development as regards business in general."

However much the officials of Chicago Pneumatic may have thought of the argument, there was another index of trade conditions which they felt was more reliable.

"The grain market is a comparatively narrow market. A far better index is the stock market. It is an uncanny fact, but that market is never wrong. The recent upturn in prices there is the most reliable index there is of the change for the better in business conditions."

Export Trade Prospects

Eventually, of course, the conversation veered over into European affairs. At the first opportunity the question was asked: "What does the export demand amount to today?" The question evoked no enthusiasm. "The export market is still stagnant."

"What are the prospects that it will increase?"

To which question there was given one of the most significant replies of the whole interview:

"Ask the bankers!"

Money, Banking and Business

Business Moving Toward Prosperity

Production and Demand Moving Upward—Steel Output Enlarged—Higher Prices Help Farmer —Price Level Remains Stable—Credit More Abundant—Prospects of Foreign Trade

By H. PARKER WILLIS

CONDITIONS during the past month have moved steadily toward a better situation both economically and financially, while the trade prospect holds forth an improved outlook. Probably of outstanding significance at the present time is the decided improvement in the steel industry and of the affiliated enterprises which are dependent upon it. Reports from the principal producing districts differ somewhat as to the scope of the improvement of steel, but all admit that there is a better activity at several plants and that this situation applies not only to the United States Steel Corporation but also to the establishments of independent companies. Probably in the aggregate the percentage of steel capacity which is not engaged is well toward 60 per cent.

Productive Figures Still Inconclusive

Nevertheless, the productive figures are still inconclusive. As shown by the accompanying graph the latest figures for the unfilled orders of the United States Steel Corporation made public on March 10, show but little change from previous returns. A small fluctuation whether up or down at the present time is of much less significance than is the corresponding change in the quantity and output of active plants. The Steel Corporation has undoubtedly been making headway in "catching up" with its back orders, the result being that unfilled order figures do not show the precise character of the situation. Data for pig iron production, also charted, furnishes on the whole a rather better index of the progress of the industry, the latest return being 1,629,000 tons. It is, however, in other branches of the industries that perhaps the most noteworthy immediate progress is being made. Coupled with this it should also be remembered that a large volume of orders is now going to the railway equipment companies as a result of the needs of railroads for more rolling stock, and that this must shortly be expected to make itself felt in a further improvement of the production of basic iron and steel products as well as probably in an accretion of unfilled orders, although the latter may be for some time further deferred.

General Productive Activity

The increased activity noted in the case of iron and steel is not, however, confined to that branch of production. There has been a notable growth of building operations during the past two months and the volume of permits issued for building is today fully double what it was at a corresponding date a year ago. In the effort to overcome housing shortage and at the same time to take advantage of much lower prices for steel, lumber, cement and other materials, the building industry is undoubtedly moving well back to normal, if not beyond it, and the orders originating in that quarter have had an important influence upon the steel and other allied trades. Manufacturing production in consumable goods has also advanced rapidly in other lines and has been especially worth while in the shoe and leather trades and in those portions of the textile trade which have not been disturbed by labor troubles. The latter are apparently transitory and need not be too seriously considered. Indexes currently compiled by the Federal Reserve Board and reflecting in part production and in part changes in the movement of commodities (a factor largely influenced by productive activity) are presented in the following table:

[000 omitted]

	January, 1921		January, 1922		December, 1921	
	Total	Relative	Total	Relative	Total	Relative
Receipts of live stock at 15 western markets (head)	5,667	100	5,144	90.8	4,639	81.9
Receipts of grain at 17 interior centers (bushels)..	98,732	100	....	...	85,013	86.1
Sight receipts of cotton (bales)...................	1,154	100	865	75.0	1,484	128.6
Shipments of lumber reported by three associations (million feet)	893	100	712	79.7	639	71.6
Bituminous coal production (short tons)..........	40,270	100	37,600	93.4	30,975	76.9
Anthracite coal production (tons)................	7,410	100	6,258	84.5	8,454	114.1
Crude petroleum production (barrels).............	37,959	100	43,326	114.1	41,957	110.5
Pig iron production (long tons).................	2,416	100	1,639	67.8	1,649	68.3
Steel ingot production (long tons)...............	2,203	100	1,593	72.3	1,427	64.8
Cotton consumption (bales)......................	366	100	527	143.9	512	139.9
Wool consumption (pounds).......................	29,807	100	61,192	205.3	61,283	205.6

Better Conditions in Agriculture

The renewed activity in manufacturing, particularly in iron and steel and the basic trades, is, however, no more encouraging than the decidedly improved tone in the agricultural districts. As contrasted with the situation existing in those districts three months ago when prices of farm products had touched bottom, the present situation represents an immense advance. An increase in the price of wheat which has at times carried it well toward $1.50 for the may contract, with corresponding prices for corn and other staples, combined with ability on the part of cotton to hold its own at prices varying for the several contracts from 18 to 19 cents or more, has made very decided increase in prosperity to the farmer.

It is true that he cannot be regarded as in any sense having overcome the losses of the past year—indeed it is an unfortunate fact that a large proportion of his last season's product had passed out of his hands and into those of middlemen before the advance in price had definitely set in. Nevertheless, it is true that in many parts of the country the amount of retained products still in the hands of farmers is very considerable. Apart from the advantage gained through better prices, and in some ways of much more importance, is the fact that a different attitude is now taken by the bankers of the country toward the financing of the forthcoming crop.

The advance of prices of the principal staples has made it worth while to plant and harvest an increased acreage for the coming year and the fears which were widely entertained at the close of 1921 with reference to a shortage in banking accommodation have now been pretty definitely put to flight. Bankers who have recently returned from visits to the agricultural regions of the West and South report the entire complexion of the trade outlook there different from that which was observable three months ago.

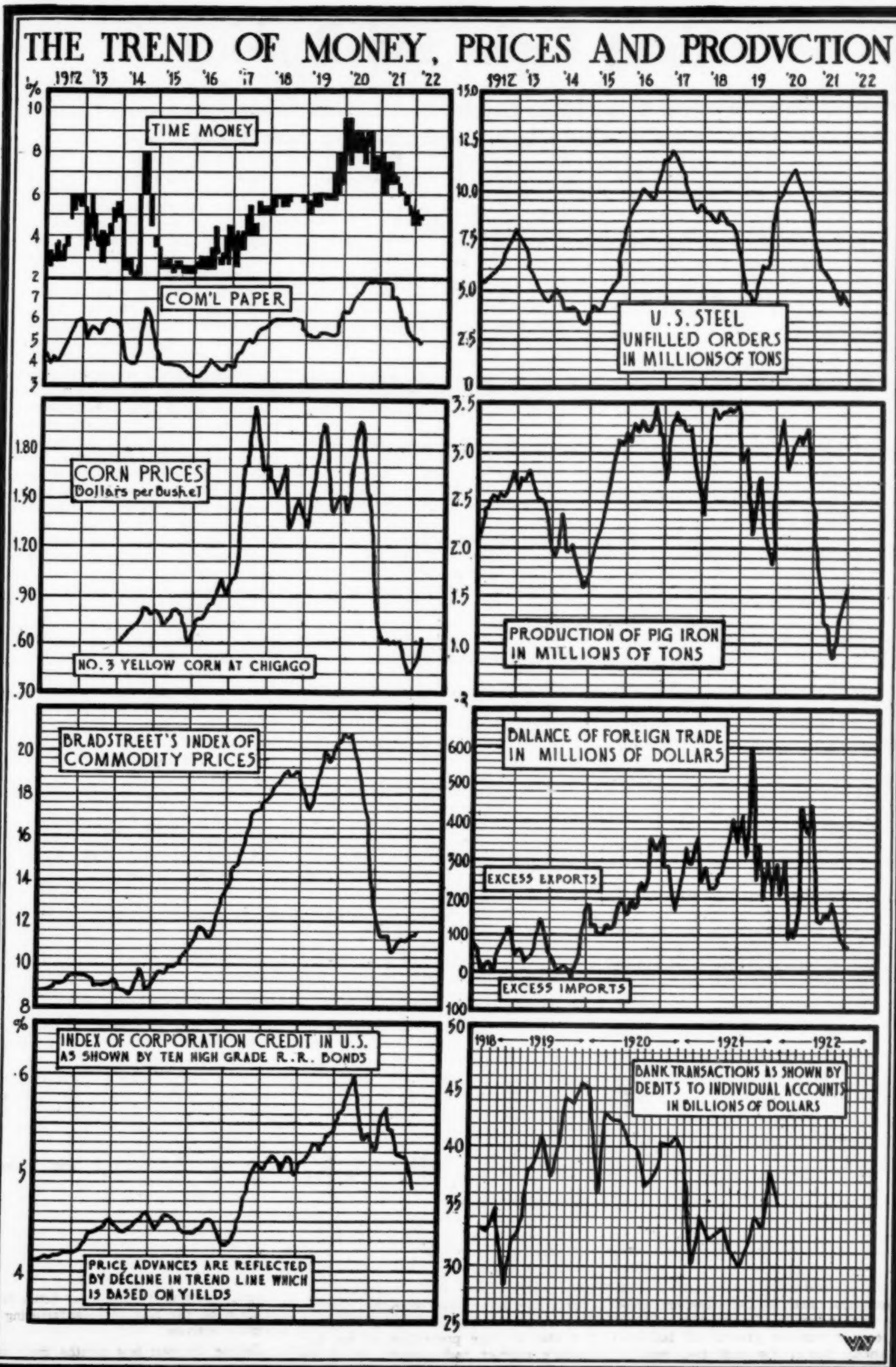
Prices Still Stable

In view of this increasing activity of production and trade as well as the more optimistic outlook on the part of the farmer, it is a remarkable fact that the general level of wholesale prices has remained practically stable. The latest index of wholesale prices compiled by the Federal Reserve Board shows no change, remaining at 138, while the indexes prepared by private estimators, one of which is charted on the opposite page, show but a slight tendency toward advance.

In view of the fact that farm products have in many cases gone up as much as 20 per cent in price, this must mean a corresponding falling off in manufactured goods and non-agricultural raw materials. Such a decline has in fact occurred, the result being a readjustment of the price structure as between industries with the consequence that there is a far better relationship on the part of manufacturing to farming activity.

During the past few months there was

Continued on page 733)


THE TREND OF MONEY, PRICES AND PRODVCTION
TIME MONEY
COM'L PAPER
U. S. STEEL
UNFILLED ORDERS
IN MILLIONS OF TONS
CORN PRICES
Dollars per Bushel
NO. 3 YELLOW CORN AT CHICAGO
PRODUCTION OF PIG IRON
IN MILLIONS OF TONS
BRADSTREET'S INDEX OF
COMMODITY PRICES
BALANCE OF FOREIGN TRADE
IN MILLIONS OF DOLLARS
EXCESS EXPORTS
EXCESS IMPORTS
INDEX OF CORPORATION CREDIT IN U.S.
AS SHOWN BY TEN HIGH GRADE R. R. BONDS
PRICE ADVANCES ARE REFLECTED
BY DECLINE IN TREND LINE WHICH
IS BASED ON YIELDS
BANK TRANSACTIONS AS SHOWN BY
DEBITS TO INDIVIDUAL ACCOUNTS
IN BILLIONS OF DOLLARS

About Banks and Banking

How Banks Might Combat Bucket Shop Abuses—A Book Worth Reading—Opportunities in Bank Stocks

PEOPLE don't like the expression "reform wave." Nevertheless, there is no gainsaying the fact that there has been a reform wave sweeping over this country; and that the most prominent object of the wave has been the lecherous growths which have fastened upon the financial community, warping its true purposes, and misleading innumerable potentially big investors.

There are two classes of crook in the financial world which have done more than any other influence to harm it and impede it. One is the promoter of fraudulent securities. The other is the bucket shop.

Efforts have been made throughout the country to stamp out the fraudulent promoter. Blue-sky legislation, special investigating bodies, advertising clubs, chambers of commerce, and many other interests have joined in the attack. Some progress has been made.

So far as the bucket shops are concerned, nothing need be said here about the campaign to eradicate them. The movement has been one of the most direct, uncompromising and effective of any ever launched. Its results have been recorded in other pages of THE MAGAZINE OF WALL STREET, which not only inaugurated but has given strong support to the campaign.

The value of any reform, of course, must be measured by its permanency. For a reform here is costly—very costly, indeed. Many thousands of investors, who have lost their life savings in bucket shop collapses can testify as to the expense. If this reform is not to be permanent—if the old abuses are to crop up again, only in some other form, the temporary lull will have done nobody any good, will have served only to sharpen the bucket shopsters' wits at the cost of their clientele.

The banks of the country can, perhaps, do more than any one other force to make our financial "reformation" permanent. It is within their power to prohibit, almost completely, the return of the bucket-shopsters and the fake promoters to power. And they can do this in a way that will redound to their own financial betterment.

For the banks of the United States there is a chance to make money by a means that will do the country good and do its people good.

One of the surest ways for them to work would be the establishment of bond departments as part of their institutions. This does not mean huge clerical forces, a number of rooms and a tremendous filing and indexing plant. In the case of a bank in a particularly small community, it would simply mean the assignment of one official to the work of the bond department.

The effort would be to steer the surplus funds of investors—the funds, that is, which have heretofore been going into the tills and coffers of bucket-shopsters and fake promoters—into high-grade, conservative and well selected investments.

To accomplish this, the banks would have to do a vast amount of educational work. Also, the officials of the banks would have to keep constantly alert as to the investment situation. Finally, it might take years, in some communities, to break down the superstitious awe in which some countrymen hold the financial system. But educational work is one of the chief functions of a bank. The officials ought to be constantly on the alert whether or not they are giving investment advice; and as for that "awe of the financial system," if the promoters of fraudulent securities, with nothing to sell but lurid bits of paper, can break it down, country bankers, already having the respect and confidence of their depositors, and with genuine investments to offer should not have much trouble.

ACTIVE BANK STOCKS

Name	Price	Book Value, Dec. 31, 1921	Name	Price	Book Value, Dec. 31, 1921
Amer. Exch. National...	248-252	$255	Hanover National	825-840	810
Bank of America......	175-180	206	Irving National	191-194	186
Chase National	284-287	205	Mechanics & Metals....	347-352	205
Chatham & Phenix.....	227-232	217	National City	314-318	253**
Chemical National	500-515	450	National Park	402-406	329
First National	925-940	518*	Seaboard	290-310	266

*Not including First Securities Co.
**Not including National City Co.

More About Registering Bonds

In our last issue, our reply regarding the registering of bonds was not quite clear to some of our readers. We therefore wish to explain as follows:

There are two kinds of bonds: registered and coupon. A registered bond is one which resembles a certificate of stock. It is made out in the name of the holder, has no coupons attached, and its interest is paid by checks mailed from the company's office direct to the registered holder. Such bonds are very often issued in large denominations to institutions, insurance companies, and others who are large security holders. The advantage lies in the avoidance of handling coupons, insurance against loss or theft; besides the direct remittance of interest is more convenient.

Coupon bonds, in most cases, can be "registered as to principal." Such bonds have sheets of coupons attached, each of which are cashed by the company as they become due. If the owner wishes to have these bonds registered in his name, he presents the bonds at the company's office, the clerk enters his name in the space on the bond provided for that purpose, and at the same time registers him on the company's books as the holder of those identical bonds. In case these bonds are lost or stolen, no one can legally use them because they are not a good delivery in that form, but only when they are again registered in the name of the bearer or in the name of a new purchaser, and this can only be done by a power of attorney signed by the owner, with his signature guaranteed by a bank, banker or brokerage house known at the office of the secretary of the company.

For any one who keeps his bonds in a safe deposit box to which no one else has access, there is little advantage in going to the trouble of registering coupon bonds, but in case he so desires, he can do this himself, or have his banker or broker do it for him, without charge in any case.

Something Worth Reading

A book that should be read by all who are interested in the growth and development of the American banking system has just been issued. It is called "A Century of Banking in New York," and was written by Henry Wysham Lanier. An edition has been distributed by the Farmers' Loan and Trust Co. The book combines entertaining reading as well as worth while analysis.

Of particular interest is the chapter on "World War Banking Problems," which concludes:

"The war left us the creditor nation of the world. It definitely shifted the international money centre from London to New York. As a sort of symbol of this transition, we found ourselves with almost half of the world's entire stock of gold coin.

"American bankers have been confronted with plenty of inevitable problems of readjustment at home—getting back to a less inflated basis than was necessary during the war, working to best advantage with the Federal Reserve system, meeting the terrific shrinkage of commodity values when these slumped from the high levels, in general financing hugely increased in-

(*Continued on page 728*)

To-day's Best Bond Investments

Opportunities in Convertible Bonds—How They Will Be Affected by the Rise in Stocks

By R. M. MASTERSON

THE year 1921 will go down in history as one of the most remarkable in investment annals. It marked a period of steady recovery in bond prices from a low level that probably none of us will live to see again. Nineteen twenty saw U. S. Government security issues fall to great discounts; it saw the Treasury offer its prime short term paper on a 6% basis and some of the Liberty Bond issues sold to yield even slightly above that figure. Foreign governments of good standing paid as high as 9%, without figuring bankers commissions, to float loans in our market and some of the strongest of American corporations were obliged to arrange for new capital at unprecedented high rates.

The change for the better in 1921 was at first a rather gradual development. During the first half of the year the average price for industrial bonds showed little fluctuation one way or the other; the rails showed a tendency to sag; and utility issues a slight improvement. From July on, however, the trend in all classes of issues was decidedly upward. Gradually gaining inertia, the movement became pronounced and the closing two months of the year witnessed one of the most rapid up-swings the bond market has ever recorded.

High-Grade Bonds

Since the first of 1922 the tendency has still been upward but with much less vigor and it would appear that the bond market is now nearing the top of its move. Of course, there still remains much room for further gains in speculative or even semi-speculative issues, where some uncertainty as to the future of the issuing companies still exists, but the "gilt-edge" issues seem to have gone just about as far as can logically be expected. The high grade rails are nearly all selling to yield less than 5% and many of them may be had at little better than a 4½% basis. Among the industrials and public utilities it is difficult to obtain 6% in the really high grade bonds and some of the more seasoned issues, such as Armour Real Estate 4½s, Baldwin Locomotive 5s, Corn Products 5s, U. S. Steel Sinking Fund 5s, Montana Power 5s, American Tel. & Tel. 5s, etc., are quoted at prices that return a yield of only slightly over 5%.

What Is Normalcy?

Still, it may be argued, even at these prices these bonds have not as yet reached their old pre-war levels. This is undoubtedly true—as far as it goes—but conditions today, nor probably for many years to come, cannot be compared with conditions as they existed in 1912. It will be many a day before we get back to what we so often refer to as "normalcy" and it is the opinion of many authorities that our future "normalcy" will be decidedly out of line with "normalcy" of ten years ago. Probably the chief factor bearing on this changed status of normalcy, with respect to the bond market, is the Federal Income Sur-Taxes. The wealthy man of yesterday could invest his funds without giving much if any consideration to tax status, but today the man of means is virtually an unknown quantity in the buying of high grade corporation bonds. Take, for example, a man of an income of

CONVERTIBLE BOND ISSUES

	Convertible into Common Stock at	Conversion Level of Stock	Present Price of Stock	High Price of Stock past 12 Years	Present Dividend on Stock	High Price of Bonds	Present Price of Bonds	App'x'mate Yield to Maturity %
RAILS:								
Atchison 4s, 1960 ....(a)	100	97	97	125⅝	6	110¼	97	4.15
Ches. & O. 5s, 1946 ....(b)	80	68¾	59	92	4	119½	86	6.15
Chic., M. & St. P. 5s, Ser. B, 2014 ....(c)	100	65	23	165⅛	..	110	65	7.95
Delaware & Hud. 5s, 1935 ....(d)	150	136½	110	200	9	108½	91	6.00
Erie 4s, Ser. D, 1953 ....(e)	50	20½	11	61⅛	..	88⅝	41	10.75
N. Y. Central 6s, 1935 ....(f)	105	104	79	147⅝	5	117⅛	99	6.05
N. Y., N. Hav. & H. 6s, 1948 ....(g)	100	69	17	174⅝	..	146	69	9.10
Norfolk & W. 6s, 1929	100	106	99	119¼	7	110¼	106	4.90
Norfolk & W. 4½s, 1938 ....(h)	100	100	99	119¼	7	145	90@100	4.50
Sou. Pacific 5s, 1934	100	95	84	139⅛	6	117	95	5.60
PUBLIC UTILITIES:								
Amer. Tel. & Tel. 6s, 1925	106	118⅝	119	153½	9	112¾	112	1.50
Amer. Tel. & Tel. 4½s, 1933	120	118⅝	119	153½	9	99	99	4.60
Consol. Gas 7s, 1925	100	107	99	165⅛	7	107½	107	4.50
Detroit Edison 6s, 7s and 8s....(i)	100	..	105	149	8	..	..	..
INDUSTRIALS:								
Amer. Agri. Chem. 5s, 1928 ....(j)	100	95	53	105	..	104½	95	6.00
Atlas Powder 7½s, 1936	125	128⅝	115	270	12	104¼	103	7.25
Barnsdall 8s, 1931 ....(k)	40	39	24	43⅛	..	99	98	8.25
Beth. Steel 7s, 1923 ....(l)	..	..	..	..	..	101⅝	101	6.95
Cerro de Pasco 8s, 1931	33⅓	37½	35	67½	..	114	112	6.95
Chile Copper 7s, 1923	25	25	17	39⅛	..	154	100	7.00
Chile Copper 6s, 1932	35	29¾	17	39⅛	..	101	85	8.20
Consol. Textile 8s, 1941	35	34	13	46⅛	..	98½	97	8.30
General Asphalt 8s, 1930 ....(m)	100	103	63	100	..	104½	102	7.50
Indiahoma 8s, 1924	7	7	4	12⅝	60c	100	100	8.00
Invincible Oil 8s, 1931	30 to 39	27½	17	40⅛	..	92¼	92	9.50
Mexican Pet. 8s, 1936 ....(n)	100	101	52	111⅝	6	102	101	7.90
National Cloak & Suit 8s, 1930....	100	101	43	118⅝	..	101½	101	7.80
Pan Amer. Pet. 7s, 1930....(o)	145	142	52	111⅝	6	98⅝	98	7.30
Sinclair Cons. Oil 7½s, 1925 ....(p)	..	..	28	..	..	102⅝	102	6.65
Stewart Warner 8s, 1926	40	40¾	35	50⅛	2	102½	102	7.35
United Drug 8s, 1941 ....(q)	110	115½	62	175⅛	..	107½	105	7.40
U. S. Smelt. R. & M. 6s, 1926....	75	72¾	35	78⅛	..	115⅝	97	6.85
Va. Caro. Chem. 6s, 1924 ....(r)	110	103⅛	72	134⅝	..	104	94	9.30
Wilson & Co. 6s, 1928	100	90	40	104⅞	..	104¾	90	8.10

(a) Privilege expires June 1, 1923; (b) convertible at 80 until April 1, 1923, at 90 until April 1, 1926, and at 100 until April 1, 1936; (c) expires Feb. 1, 1926; (d) expires Oct. 1, 1927; (e) expires Oct. 1, 1927; (f) expires May 1, 1925; (g) from Jan. 15, 1923, to Jan. 15, 1948; (h) expires Sept. 1, 1923; (i) for details see text; (j) convertible into 6% cum. pfd.; (k) into B stock; (l) convertible into 6% Cons. Mtg. Bonds of 1948 at 6½% basis with cash adjustment; (m) after Jan. 1, 1923; (n) into Pan American Class B Common; (o) into Class B Common; (p) convertible into 10 shs. 8% pfd. and 2½ shs. common per $1,000 Bond; (q) expires June 15, 1931; (r) convertible into 8% cum. pfd.

even $200,000, on which the Government takes nearly 50% in taxes. If he invests the majority of his capital in Municipals or other tax free bonds yielding, say 4.25%, the Government would take nothing, whereas to obtain an equivalent net amount in taxable (corporation) bonds a yield of about 8.50% would have to be obtained. Quite obviously the investor would prefer the greater safety of the Municipal issues and accordingly our rich men have been practically eliminated as buyers of corporate bonds.

Another factor that will act as a check on a further upward movement in the bond market is the marked improvement in sentiment and the recovery that has come about in general business conditions. The past two years of readjustment and deflation from the post-war boom have been exceedingly costly but they have taught their lesson. Many people have refused to buy any securities except those of the highest investment character through fear of what the future might have in store. Accordingly, as prosperity returns, confidence will be gradually restored. Opportunities for profit will appear greater in stocks than in bonds and a sizable proportion of the general public will, no doubt, transfer their investments from bonds to stocks. This switching from bonds to stocks—it is already going on—will have a tendency to keep down bond prices, through realizing sales, and to stimulate stocks, through increased speculation.

Business Cycle

It is a generally accepted economic law that a rise in bonds always precedes a boom in stocks, and conversely, bonds always lead a general decline. It is very obvious why this is true. Commencing at a point in the business cycle where industry has been thoroughly liquidated, as it was in 1920 and 1921, surplus funds that have been accumulated through the liquidation first seek employment in sound bonds. As the supply of money becomes more plentiful interest rates decline and bond prices accordingly rise. By this time money has become quite easy and the low interest rates tend to restore public confidence. Capital is then attracted to stocks; a certain amount of the money supply also finding its way into business for purposes of expansion or new ventures. The result is a period of general prosperity. As prosperity continues the available supply of capital is further drawn upon until money becomes stringent. Interest rates then, of course, advance, causing a corresponding decline in bond prices. Further pressure by the banks causes the withdrawal of funds from the stock market and not long after business enterprises also feel the pressure of high money. Prosperity ebbs until liquidation starts in again and the whole process repeats itself. This, in a nutshell, is a very general explanation of the business cycle. It usually takes about 10 years, more or less, to complete the full revolution and it has repeated itself so often that it has become an almost definitely established theory.

Our present position in the cycle appears to be just between the culmination of a rise in bonds and a big up-swing in stocks. The decline in bonds is not going to commence over night and many of the somewhat speculative issues that are selling at high yields today will show further gains if the companies themselves show that they have passed the danger line safely. In the main, however, it is the writer's opinion that the high grade gilt edge issues have about reached their peak for the present move. The investor, therefore, who cannot assume the risk of holding stocks can take advantage of the situation by buying CONVERTIBLE BONDS. He can, thus maintain in his investment the safety of the bond and at the same time obtain, to a certain extent, some of the speculative possibilities of a stock.

Elements of Convertible Bonds

A convertible bond does not fall below its intrinsic value as a bond, even in a falling stock market; on the other hand it may appreciate in price many points above this intrinsic value, should the price of the stock, into which the bond is convertible, score an advance above the "conversion level." The "conversion level" is a term used to designate the price at which the stock must sell to make the convertible feature of value, such level being based on the present price of the bond. To illustrate: In the case of a bond selling at, say, 80, convertible into common stock on a par for par basis (10 shares of stock for each $1,000 bond), the conversion level would be 80, as every point above that level that the stock should sell would cause a corresponding increase in the price of the bond. Where a bond is convertible on other than a par for par basis the calculation is slightly more involved. Take the case of a bond selling at 90, convertible into stock at 80. Divide 80 into 1,000, which would give the number of shares that could be obtained for each $1,000 bond, namely, 12½ shares. Then divide the number of shares (12½) into the present price of the bond (90) to arrive at the conversion level of 72. In other words, every advance in the price of the stock above 72 would cause a proportionate rise in the bonds above 90. The following rule is a short method, worth remembering, of determining this conversion level.

To find the conversion level of a stock into which a bond is convertible, multiply the present price of the bond by the price at which it is convertible and divide the result by 100.

There are a number of convertible bonds available today, some, of course, offering greater possibilities than others. The accompanying list groups a number of the better known issues into Rails, Public Utilities and Industrials. The list does not attempt to classify these bonds according to their merits or possibilities but is merely given as a subject for study for those investors interested in this type of issue.

Convertible bonds naturally fall into three classifications: those issues which are selling above their actual values as bonds owing to the fact that the price of the stock has risen to a point sufficient to make the conversion privilege of value; those which have possibilities of the conversion privilege becoming of value in the immediate future; and those of only "long pull" possibilities. The positions of the various bonds in the list may be readily ascertained by comparing the conversion level with the present price of the stock.

Rails and Utilities

Of the Rails, Atchison 4s and Norfolk & Western 6s stand out as offering the best opportunities for early profits. Both bonds, it is true, are selling above their intrinsic values as bonds, but they are in a position to benefit immediately from any appreciation in the price of the stocks. Atchison has reported net revenues for 1921 of over $46,000,000 against $26,000,000 for 1920 and Norfolk & Western earned over $14,800,000 last year compared with $3,600,000 in 1920. Delaware & Hudson 5s also have rather attractive possibilities, the Road reporting net revenues of $6,886,000 for last year against $1,890,000 the year before.

New York Central and Southern Pacific are also very substantial systems and there is a good possibility that the price of these stocks will pass the present conversion level before the year is out. The St. Paul 5s are a fair second grade bond but the probability of the conversion privilege becoming of value seems remote. The Erie and New Haven issues are highly speculative and are not recommended.

The three public utility companies mentioned rank among the strongest of this class of company. The telephone bonds are selling on a conversion basis but the company's stock itself has always been regarded as an investment issue and it has excellent chances for further appreciation in price, which will, of course, be immediately reflected in the price of the bonds.

The position of Consolidated Gas is exceptionally sound. Although the company did not earn its dividend last year under the 80-cent gas rate, the recent decision of the Supreme Court, which was a sweeping victory in favor of the company, assures without doubt the continuance of the present $7 dividend and even makes possible increased disbursements in the future. The company, through its holdings in New York Edison, which it owns, is assured of a large income outside of its gas business. There is no question as to the safety of the 7% Convertible Notes and even if all developments went against the company a purchaser could lose only the 7 points premium he would now have to pay for the notes maturing in 1925.

Detroit Edison Company has outstanding several debenture issues that are convertible into capital stock at par. These issues are not listed on any Exchange but they have a ready "over the counter" market in New York and elsewhere. The company appears to have a brilliant future ahead and the stock should sell materially higher over the coming year.

Industrials

Of the Industrials the Stewart Warner 8s look good. The stock is less than 5 points below the conversion level and an improvement in the automobile industry might readily carry the price of the stock considerably above that figure. The 8% bonds are the only funded debt of the company and are outstanding only in amount of $2,000,000. Based on the present market price of the stock, the equity indicated behind these bonds amounts to over $8,000 per $1,000 bonds.

Atlas Powder 7½s are another issue that afford an excellent yield and at the same time offer a good opportunity for the con-

(*Continued on page* 713)

BOND MARKET GAINS GROUND

Many New Issues Absorbed as List Advances Under Steady Accumulation

There was renewed activity and strength in the bond market during the past two weeks and its absorptive power was further demonstrated by the large number of new issues which were floated and well taken by the public. During the past fortnight over $130,000,000 of bonds were floated.

Foreign issues of all description are meeting with far better favor among the investing public and buying in the last month or so indicates that a great deal of the prejudice which existed in purchasing securities outside of this country has been dissipated. The improvement in European and South American countries and the attractive yield these bonds have been selling on have undoubtedly had a great deal to do with causing a better demand for these issues.

There were few changes in the railroad groups. Special moves took place in the issues of the supposedly weaker roads, probably as a result of improved earnings and outlook for these carriers. We refer to Missouri, Kansas & Texas new Prior Lien 5s and Frisco Prior Lien 4s, which advanced two points and one point, respectively. Pere Marquette 1st mortgage 5s also came in for a point and a half advance.

There were a few strong spots in the Middle Grade Industrial group, such as Wilson & Co. 6s, Computing, Tabulating & Recording 6s, International Mercantile Marine 6s and Goodyear Tire 8s. These bonds rose anywhere from one to two and three-quarter points.

Speculative Issues

As we pointed out in our last review, improved industrial outlook is being anticipated by broadening demand and higher prices for less favorably secured bonds. In the railroad speculative group every issue advanced ½ point or more, with the exception of the Carolina, Clinchfield and Minneapolis & St. Louis bonds, the most sensational rise taking place in the new Missouri, Kansas & Texas Adjustment Mortgage 5s, which we placed in our Bond Buyers' Guide for the first time in our February 18th issue. These bonds advanced 5⅜ points.

In the industrial group the only advance was recorded by the Cuba Cane Sugar 7% notes. Net gain for the two weeks was 2⅜ points. These bonds are now up about 22 points from the low of 1921.

Note: The B. & O. Southwestern Division bonds are an underlying mortgage on a very valuable part of the B. & O. system. The interest on this particular issue has a considerably wider margin of safety than is indicated by the earning figure shown in the "Interest Times Earned" column. These five years are really not a fair basis for this road as Government regulations of coal traffic during the war cut heavily into the road's earnings. The 1st mortgage 4s of this road are only rated as a middle grade issue because of the narrow margin of earnings over total interest charges in the past few years.

BOND BUYERS' GUIDE

	Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
Foreign Governments. BETTER GRADE			
1. City of Christiania (b) 8s, 1945	100	7.20	..
2. Danish Municipal (b) S. K. 8s, 1946	109½	7.20	..
3. City of Zurich (b) 8s, 1945	110½	7.10	..
4. City of Copenhagen (b) 5½s, 1944	90¼	6.30	..
5. Kingdom of Sweden 6s, 1939	100¼	6.00	..
6. Argentine (c) 5s, 1945	81½	6.60	..
7. U. K. of Gr. Britain & Ireland (c) 5½s, 1937	99⅝	5.50	..
8. Dominion of Canada (c) 5s, 1931	98½	5.20	..
MORE SPECULATIVE.			
1. Kingdom of Belgium (a) 6s, 1925	102⅝	5.00	..
2. Kingdom of Italy (d) 6½s, 1925	93⅞	8.90	..
3. Republic of Chile (b) 8s, 1941	103¾	7.60	..
4. Sao Paulo (b) 8s, 1936	102¼	7.75	..
5. U. S. of Brazil 8s, 1941	104¾	7.50	..
Railroads. GILT EDGE.			
1. Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	88	8.10	.80**
2. Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	83⅝	5.40	2.20
3. Delaware & Hudson (a) 1st & Ref. 4s, 1943	88½	4.90	1.65
4. Southern Pacific (b) 1st Ref. 4s, 1955	85½	4.90	1.05
5. Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	87½	4.75	2.40
6. Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	91	4.60	3.05
7. N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	86	5.35	2.35
8. Atlantic Coast Line (a) 1st Mtg. 4s, 1948	86⅝	4.90	1.55
9. Pennsylvania (a) Genl. Mtg. 4½s, 1965	87¼	5.25	2.20
10. West Shore (a) 1st Mtg. 4s, 2361	80	5.10	**
11. Norfolk & Western (c) Cons. 4s, 1996	88½	4.70	3.95
12. Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	105½	4.75	1.40
13. Atchison (b) Genl. Mtg. 4s, 1995	87½	4.60	3.90
14. Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	81⅞	4.90	1.00
Industrials.			
1. Diamond Match (c) Deb. 7½s, 1935	108	6.00	†
2. Armour & Co. (a) R. E. 4½s, 1939	86¾	5.75	6.75
3. General Electric (b) Deb. 5s, 1952	97⅝	5.10	5.55
4. International Paper (a) 5s, 1947	85⅝	6.10	10.70
5. Indiana Steel (a) 5s, 1952	98½	5.10	**
6. Liggett & Myers (aa) Deb. 5s, 1951	94½	5.35	4.80
7. Baldwin Loco. (a) 5s, 1940	100	5.00	2.65
8. National Tube (a) 5s, 1952	97	5.20	**
9. Corn Products (a) 5s, 1934	97⅞ bid–none off.		60.70
10. U. S. Steel (a) 5s, 1963	100¼	5.00	8.70
Public Utilities.			
1. Duquesne Light (b) 6s, 1949	102	5.95	3.40
2. Amer. Tel. & Tel. (c) 5s, 1946	96	5.30	4.80
3. Philadelphia Co. (c) 6s, 1944	95	6.45	4.15
4. N. Y. Telephone (b) 4½s, 1939	90⅝	5.30	**
5. Montana Power (c) 5s, 1943	94¾	5.40	2.90
6. Cal. Gas & Electric (a) 5s 1937	95	5.50	4.15
7. N. Y. G., E. L., H. & P. (a) 5s, 1948	95¼	5.35	2.10
8. Pac. Tel. & Tel. (a) 5s, 1937	94¼	5.60	1.75
Railroads. MIDDLE GRADE.			
1. Southern Pacific (b) Col. Trust 4s, 1949	79¾	5.40	2.40
2. Illinois Central (b) Col. Trust 4s, 1952	81	5.25	2.25
3. Balt. & Ohio (b) 1st Mtg. 4s, 1948	78	5.60	.80
4. Norfolk & Western (a) Conv. 6s, 1929	106	5.00	3.05
5. Atchison (a) Conv. 4s, 1960	90 bid–off. @98½		3.90
6. St. Louis-San Fran. (a) Prior Lien 4s, 1950	69⅝	6.30	1.60
7. Missouri, Kans. & Texas Prior Lien 5s, 1962	90⅝	6.30	..
8. Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	86½	6.50	2.40
9. Ches. & Ohio (b) Conv. 5s, 1946	86½	6.10	1.55
10. Pere Marquette (c) 1st Mtg. 5s, 1956	90⅝	5.60	2.05
11. Kansas City Southern (a) 1st Mtg. 3s, 1950	64½	5.50	1.70
12. Pennsylvania Genl. Mtg. 5s, 1968	95¼	5.25	..
13. St. Louis Southwestern (a) 1st Mtg. 4s, 1989	76	5.30	2.00
Industrials.			
1. Wilson & Co. (a) 1st 6s, 1941	95⅝	6.40	2.10
2. Comp. Tab. & Recording (b) 6s, 1941	91⅞	6.80	5.45
3. Adams Express (b) 4s, 1948	75	5.90	2.60
4. Int. Merc. Marine (b) 6s, 1941	93⅞	6.60	5.15
5. Lackawanna Steel (c) 5s, 1950	64	6.20	6.90
6. Bush Terminal Bldg. (a) 5s, 1960	80	5.70	2.35
7. U. S. Rubber (c) 5s, 1947	86¼	6.10	5.00
8. Amer. Smelting & Refining (c) 5s, 1947	88⅝	5⅞	9.55
9. Goodyear Tire (c) 8s, 1941	113½	6.75	x
Public Utilities.			
1. Public Service Corpn. of N. J. (a) 5s, 1959	77	6.70	..
2. Detroit Edison (c) Ref. 5s, 1940	92½	5.70	2.80
3. Brooklyn Union Gas (a) 5s, 1945	88	6.00	*1.35
4. Northern States Power (b) 5s, 1941	89⅝	5.90	1.80
5. Brooklyn Edison (c) 5s, 1949	92½	5.50	2.20
6. Utah Power & Light (a) 5s, 1944	90¼	5.80	1.80
7. Cumberland Tel. & Tel. (b) 5s, 1937	90	6.00	1.70
Railroads. SPECULATIVE.			
1. Western Maryland (a) 1st Mtg. 4s, 1952	62½	7.00	.70
2. Iowa Central (a) 1st Mtg. 5s, 1938	71½	7.50	..
3. St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	72⅝	8.00	2.00
4. St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	78¼	7.80	*1.00
5. Mo., Kansas & Texas Adj. Mtg. 5s, 1967	59⅝	..	..
6. Southern Railway (a) Genl. Mtg. 4s, 1956	63	6.80	1.88
7. Missouri Pacific (b) Genl. Mtg. 4s, 1975	62⅝	6.50	.90
8. Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	83½	6.70	1.40
9. Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	73½	8.60	.50
Industrials.			
1. Chile Copper (b) 6s, 1932	85⅝	8.20	3.30
2. Va.-Carolina Chemical (c) 7½s, 1932	91	8.90	2.75
3. American Writing Paper (a) 7s, 1939	82	9.10	1.90
4. American Cotton Oil (a) 5s, 1931	84	7.50	3.15
5. Cuba Cane Sugar (c) 7s, 1930	79⅝	10.80	..
Public Utilities.			
1. Hudson & Manhattan (c) Rfdg. 5s, 1957	78¼	6.60	*1.60
2. Intr. Rapid Transit (a) 5s, 1966	63½	8.00	1.60
3. Third Avenue (b) Refg. 4s, 1960	62	6.80	*1.20
4. Public Service Corp. of N. J. (a) 5s, 1959	77	6.70	1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500.
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(d) Lowest denomination, $50.

(x) This issue was created on May 1, 1921.

†This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.

*Number of times over interest on these bonds was earned.

**Earnings are not reported separately.

‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. See text.**

Inquiries on New Security Offerings

STANDARD GAS & ELECTRIC 7s

Yield Is 7.5%

Would appreciate your opinion in regard to the recent offering by H. M. Byllesby & Co. of $3,000,000 Standard Gas & Electric Co. 7% gold bonds. Are they well secured and interest charges covered by a safe margin?—R. S., Providence, R. I.

Standard Gas & Electric Co. convertible 7% gold bonds are a direct obligation of the company. Pledged as security for the bonds is $4,500,000 preferred stock and $2,500,000 common stock of the Louisville Gas & Electric, $1,200,000 common stock of Northern States Power Co. and $500,000 notes of Public Utility companies. The total appraised or market value of the securities pledged is in excess of $5,000,000 as against this issue of $3,000,000 (closed issue). The proceeds of this sale will be used together with funds already provided to retire $5,000,000 Mississippi Valley Gas & Electric Co. 5s due May 1, 1922.

For the twelve months ended December 31, 1921, net revenue was $3,823,644, or more than 4½ times the annual interest charges on the secured funded debt of the company. These bonds are followed by other securities having an aggregate market value of about $28,000,000.

Bonds are callable at any time before maturity at 105 and interest. They are convertible into 8% cumulative preferred stock on the basis of each $1,000 bond receiving $50 cash and $1,000 par value of the preferred stock.

Standard Gas & Electric Co. through its controlled companies furnish service for 578 communities with a population of 2,250,000 in sixteen states, including important centers such as Minneapolis, St. Paul, Louisville, Pueblo, Mobile, Tacoma, etc. The utility service is 70.2% electric light and power, 23.2% gas, 3.7% street railway and 2.9% miscellaneous.

While a bond such as this which is not a first mortgage on the property cannot be considered gilt edge still it appears to be very well secured by valuable collateral and earnings are decidedly satisfactory. The yield at the offered price of 95 is 7.5%. We regard these bonds as a very attractive business man's investment.

KANSAS GAS & ELECTRIC 1ST 6s

Attractive Public Utility Bond

As a subscriber to The Magazine of Wall Street, I have noticed your comments in regard to the favorable outlook for public utility securities and have decided to place some of my surplus funds in a good public utility bond. My idea is to purchase for more or less permanent investment. What do you think of the recent issue of Kansas Gas & Electric Co. 1st mortgage 6s due March 1, 1952, recently offered by Dillon, Read & Co.?—G. A. S., Chicago, Ill.

In our opinion Kansas Gas & Electric 1st mortgage 6s due 1952, are entitled to a high rating among public utility issues and can be regarded as a conservative investment. At offered price of 96½ they yield 6.25%. The mortgage authorizes $10,000,000 Series "A" bonds against property values as of December 31, 1921, and provides that additional bonds may be issued only at par for not exceeding 75% of the cost of additions to the properties, and then only when net earnings for the twelve months preceding the issuance are twice interest charges. The present issue is $8,000,000 and were put out to refund $5,868,000 1st mortgage bonds due March 1, 1922, and to reimburse the company in part for the cost of additional generating capacity, transmission lines, etc. A sinking fund provides for the annual retirement of 1½% of the amount outstanding if obtainable at par or better. They are redeemable at 107½ up to March 1, 1927, at 106 to March 1, 1932, and thereafter at somewhat lower prices, the lowest being 100½ in 1951.

The company operates without competition the entire commercial electric light and power and gas business of Wichita, Pittsburgh and Newton, Kansas and 19 other cities in Kansas, serving a total population of about 200,000.

The bonds are secured by a direct first mortgage lien on the properties of the company conservatively appraised by independent engineers at over $14,000,000. Net earnings for the three years ended Jan. 31, 1922 averaged $1,005,981. For the twelve months ended Jan. 31, 1922, net earnings were $1,474,719, or over three times the annual interest charges of $480,000 on this issue. The company has recently been granted new 35-year franchises in Wichita and in most of the remaining cities in which it operates.

The entire common stock of this company is owned by the American Power & Light Co. which is affiliated with interests closely identified with General Electric Co.

ANNOUNCEMENT

So many letters have been received asking our advice on new security issues that from this time on a full page will be devoted to this end of the investment field. Owing to space limitations only a few letters will be published in this page but subscribers still have the privilege of having their inquiries answered individually by applying to the Inquiry Department. We believe that readers will find this new page of great value in aiding them to choose their investments among the new issues now being sold to the public.

ARGENTINE 7s

Offered on a 7.25% Yield

Would appreciate your comments on the new offering of $27,000,000 Government of the Argentine Nation 7% gold bonds due Feb. 1, 1927.—A. F. F., Boston, Mass.

Argentine 7% gold bonds due 1927 are a direct obligation of the Argentine Government. Principal and interest is payable in United States gold coin in New York, free of Argentine taxes. The bonds were recently offered by a strong banking syndicate at 99 and interest to yield 7.25%.

The total net outstanding consolidated or funded debt of Argentine, as of Sept. 30, 1921, was reported at approximately $486,000,000, which together with the nonconsolidated debt shows the equivalent of approximately $80 per capita. Recent published figures show a total of approximately $463,000,000 gold against notes in circulation, representing a ratio of about 80%. This is a very strong condition and places Argentine currency among the soundest in the world.

The area of the Republic is approximately 1,100,000 square miles and national wealth is estimated at $13,800,000,000. This country leads in South America in the volume of foreign trade. In 1921 it is estimated that exports totaled $648,000,000 and imports $613,000,000. For the five years 1916-1920 the country's trade averaged about the same as in 1921.

In our opinion this is one of the most attractive of the South American securities that have been offered to United States investors. Of course in regard to South American securities many investors are inclined to leave them alone because of a lack of confidence in the political stability of the South American republics. This is of course an important factor to take into consideration and while we should regard these bonds as a good business man's investment suitable for a portion of his funds, we can not give them as high a rating as first class United States railroad or industrial issues.

JOINT STOCK LAND BANK BONDS

I note that among the tax-exempt securities that the Joint Stock Land Bank bonds offer the most attractive yields. As I am interested in tax exempt securities, would appreciate your advice on this class of security. I have particularly in mind the recent offering of Dallas, California and Des Moines Joint Stock Land Bank bonds.—A. S. S., Greenwich, Conn.

In our opinion Joint Stock Land Bank bonds are entitled to the highest rating because of the safeguards by which they are surrounded. They are obligations of the issuing banks and the shareholders' liability is double the amount of their stock. They are also

(Continued on page 725)

Railroads

January Earnings and Railroad Efficiency

A Comparison of January, 1922, with January, 1921

By **ARTHUR J. NEUMARK**

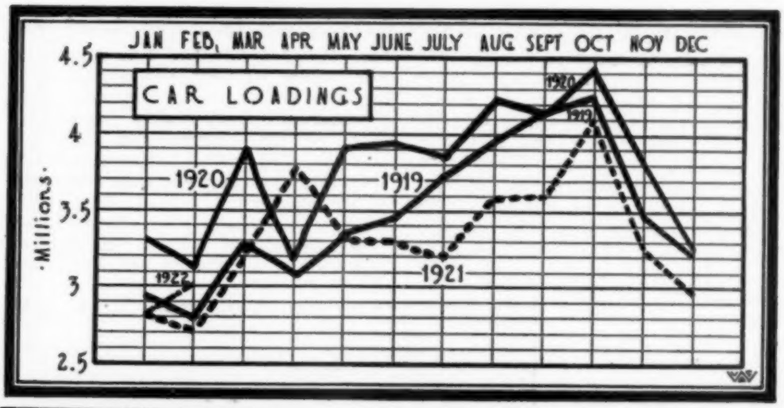
ALTHOUGH the volume of traffic handled by the Class I roads in the month of January, 1922, was practically the same as in the corresponding month of 1921 and the actual dollar and cents return on the business handled was anywhere between 10 and 20% below January a year ago, the net operating income of the large majority of roads was considerably higher, in fact net operating deficits which were common in January, 1921, gave way to good sized net balances for the first month of the current year.

How was this accomplished? In answer: Operating costs, wages and materials and supplies used in maintenance work are all lower, **but probably the most important single item is increased operating efficiency.** Forced practically to the wall by unfavorable operating conditions railroad executives and managers have demonstrated their ability to get the maximum out of the roads when not hampered by burdensome Government regulations and interference.

Probably one of the most encouraging of all signs was the comeback of two of the country's leading roads, namely, Pennsylvania and New York Central. As the Irishman is prone to say, "You can't keep a good man down." So you cannot keep a good road down and both these carriers demonstrated this when they reported net earnings, after hire of equipment and joint facility rents, of $5,008,700 and $3,602,210, respectively, compared with operating deficits of $683,964 and $227,868, respectively, a year ago. Gross earnings were 18% and 10.7% lower than in the first month of the previous year.

February Car Loadings and What They Indicate

The results of operation for January, together with the indicated improvement in business as shown by the car loadings for the succeeding month warrant a very optimistic outlook for the coming year. For the first time, insofar as the writer can remember, the February volume of traffic was heavier than January. There were approximately 200,000 more cars loaded in February than in the previous month. This is very unusual since February is the shortest month in the year and normally produces the smallest amount of business. The improvement this year was brought about by increased activity in the basic industries and the agricultural centers. What is needed is volume of traffic and the rest will take care of itself.



ANALYSIS OF RAILROAD EARNINGS FOR THE FIRST MONTH OF 1922

The following table is compiled on the assumption that the first month represents 6.5% of the traffic year, as it did in the test period (June 30, 1915 to 1917, inc.).

Road	Net Oper. Def.	% Charges Earned	$ per Sh. on Pfd.	$ per Sh. on Com.
Atchison	......	60	....	....
Atlantic Coast Line	......	....	....	$15.50
Baltimore & Ohio	......	....	....	.25
Canadian Pacific	......	....	....	1.10
Chesapeake & Ohio	......	....	....	10.86
Chicago & E. Illinois	......	....	....	2.80
Chicago Great Western	201,100	....	....	....
Chicago, Mil. & St. Paul	466,787	....	....	....
Chicago North Western	151,304	....	....	....
Chicago, R. I. & Pacific	......	24	....	....
*Cleve., Cin., Chic. & St. Louis	......	....	....	7.85
Colorado & Southern	......	88	....	....
Delaware & Hudson	......	....	....	10.60
Delaware, Lack. & Western	......	....	....	(a) 12.75
Erie	......	56	....	....
Great Northern	259,144	....	....	....
Illinois Central	......	....	....	17.55
*Kansas City So	......	...	....	8.30
Lake Erie & Western	......	94	....	....
Lehigh Valley	......	98	....	....
Louisville & Nashville	......	83	....	....
Minneapolis & St. Louis	......	86	....	....
Missouri Pacific	......	46	....	....
New York Central	......	....	....	8.80
N. Y., Chicago & St. Louis	......		...	(b) 4.15
N. Y., New Haven & Hartford	......	93	....	....
N. Y., Ontario & Western	92,419	....	....	....
Norfolk & Western	......	....	....	7.00
Northern Pacific	624,543	....	....	....
Pennsylvania	......	....	....	4.20
Pere Marquette	......	78	....	....
Philadelphia & Reading	......	100	....	....
St. Louis, San Francisco	.....		....	9.00
St. Louis Southwestern	......	81	....	....
Seaboard Air Line	......	51	....	....
*Southern Pacific	......	....	....	(c) 6.20
Southern Railway	......	83	....	....
Texas & Pacific	......	90	....	....
Union Pacific	......	....	....	6.00
Wabash	......	29	....	....
Western Maryland	......	....	(f) .60	....
Western Pacific	......	....	(d) 3.30	....
Wheeling & Lake Erie	......	72	....	....

*For 12 months ended December 31, 1921.

(a) $50 par value. (b) After 5% on the common stock, all classes of stock share equally. (c) Without oil income and after capital adjustments. (d) Including Denver & Rio Grande and after proposed adjustments. (f) On the 4% 2nd preferred stock.

Why Electrification of Railroads Would Increase Profits

Steam Less Efficient Than Electricity—How Savings Can Be Effected—Roads That Are Already Electrified

By JOSEPH E. PRESTON

AS time goes flitting across the pages of Mr. H. G. Wells' fascinating book, "The Outline of History," a hundred years or so becomes a mere fly speck on the horizon. It seems incredible but it was not until 1804 that a man named Trevithick adapted a steam engine so that it would serve as a locomotive, and that was the beginning of railroads. They were a little shy on metallurgy back in 1804. Nobody knew how to roll sheet iron and make steel plates, so the railroads had to wait until it was possible to make sheet iron with which to fabricate steam boilers for the locomotives. It was not until 1825 that the first railroad was opened for traffic.

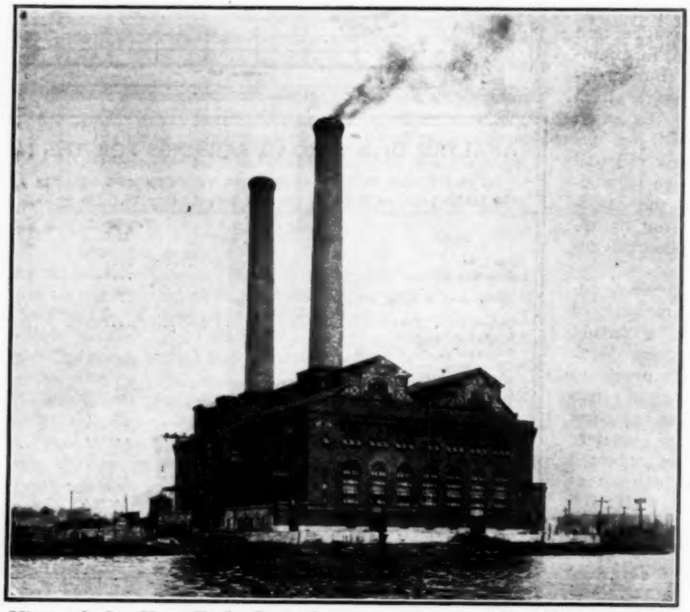
In Mr. Wells' retrospect of the dark abysm of time, the palaeozoic periods, the time of Alexander the Great, the Caesars, Napoleon, we discover that not one of the great men of history, nor a single one of the millions of people over whom they ruled, had the remotest idea of the possibilities of steam as motive power. They were densely ignorant of electricity. The telegraph and telephone, the gas combustion engine and the aeroplane were quite beyond their capacity to invent.

None of the folks who lived prior to such a recent date as 1825 were troubled with the railroads for the very good reason that there were no railroads. When business was bad they couldn't blame it on the railroads. They couldn't kick about rates. They couldn't investigate the railroads. When one reads today the endless discussions about the railroads, their shortcomings, their labor disputes, their high freight rates, their generally high costs and low returns, one gets the feeling that life in the days of the Caesars wasn't half bad.

400,000 Miles of Road

In about the same length of time, some thirty years, that it has taken to overrun the world with automobiles, a net work of railroads spread over Europe. In 1831 railroads began to be built in this country and in a few years railroad building obtained a vogue here undreamed of in Europe. Today our total length of all railroads is 400,000 miles, while all of Europe has only 270,000 miles. This country has the best railroads in the world, the best equipped and the best managed. The clothes we wear, the food we eat, the houses we live in are assembled by the railroads from widely segregated parts of the country and delivered where needed. Our railroads are the veins through which flows the life blood of the country.

Fifty years ago many locomotives burned wood for fuel. Just as now water tanks are set at convenient intervals along the lines of the road then there were wood sheds. The locomotives of those days were small and crude compared with the huge locomotives of today. It was fun to be an engineer or fireman on those toy locomotives.



View of the New York Central power plant at Port Morris, where the power is manufactured that propels the Central trains over the electrified portion of the system

Then came coal, dirty, sooty, grimy coal. The engineers and firemen had to quit wearing white boiled shirts. They ceased to be heroes to the pretty girls and small boys along the line. They were smooch-faced, blue-shirted mechanics. Half the romance of railroading departed when the coal-burning locomotives came in.

Bigger Locomotives

Then they began making the locomotives bigger and bigger. At the Columbian Exposition in 1893 was the famous 909 of the New York Central Railroad. It was a monster in those days. Today it is somewhat of a pigmy compared to the newest big locomotives on that road. The locomotives have increased in size but the stature of the fireman remains stationary. The man who fires one of the big locomotives of today is just the same sized man who fired the toy locomotives of the wood-burning days.

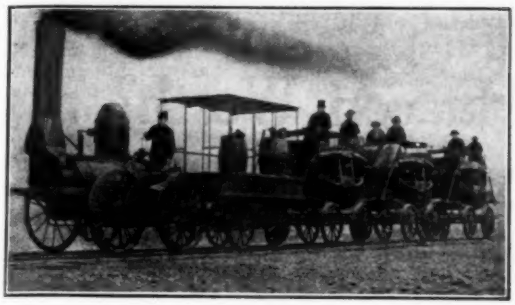
Human Nature Remain the Same

In Mr. Wells' interesting book we read about the Roman and Grecian and Carthaginian galley slaves chained to the oars in the war vessels of those days. Wielding an oar in those picturesque barges of the ancients was mere pastime compared to the task of firing one of our modern locomotives.

Down through all the ages human nature has been pretty much the same. The galley slaves complained of their lot. The firemen complained of their lot. They said they worked harder than anybody else on the road. They wanted more pay. They wanted shorter hours. They wanted this thing and that thing and to enforce their demands they organized the Brotherhood of Locomotive Firemen. They got everything they asked for. They are getting it today, and few there are who begrudge them what they get.

Why the Firemen Are So Important

When the engineers and conductors, the brakemen, the baggage masters, the station agents, the switchmen, the section hands, the shopmen and all the rag tag and bobtail of the railroads saw when the firemen were able to accomplish with their strongly organized brotherhood they got into the game. They organized brotherhoods and claimed affiliation with the firemen. Conductors and brakemen and baggage masters and clerks and shopmen can go on strike and it won't create any serious tieup of the railroads. But when the firemen go on strike they tie up the railroads tighter than a drum. Over night they can paralyze business



YESTERDAY

The famous DeWitt Clinton engine, the first steam train over the New York Central lines, wood-burning and capable of carrying a "load" of 20 persons and baggage

and put everything all askew. It takes a carefully selected, strong, well-trained man to be a locomotive fireman. He is indispensable. The railroads can't function without him.

Why Not Electrification?

One time the men who painted stripes on the flivvers in Henry Ford's factory went on strike. Nary a stroke of work would they do, they said, until Henry came across with a raise.

The striking stripe painters interested Mr. Ford for a few moments only.

"Why red stripes on Ford cars?" he asked.

This was some years ago and ever since Ford cars have sold just as well without stripes as with them.

Why locomotive firemen?

Why not electrified railroads?

The New York Subway and elevated railroads operate more trains and carry more passengers than all the other railroads of this country combined, and there isn't a single locomotive fireman employed on the whole system.

Electrified Roads

The New York, New Haven & Hartford Railroad is electrified from New York to New Haven. The trains seem to float along without effort. No chug, chug, chug. No smoke, no cinders, no soot, no dirty grimy coal. It is but a short haul as distances go in this country. More passengers and more freight offers for the longer haul to Boston. If this railroad would continue their electrification to Boston they would get practically all of the Boston and New York business instead of dividing it up as they now do with motor cars and coastwise boats. Anybody that can travel on an electric train isn't going to take a long motor ride or steamboat ride because the electric train is faster, cleaner, more desirable in every way. It might be possible to reduce the passenger and freight rates because of the greater efficiency of electricity, greater fluidity to traffic, greater speed. It would greatly lessen the labor cost because an electric locomotive dispenses with coal and that means not only the elimination of the fireman but also the coal heavers, the extra shovel men, the coal yards, the hundreds of cars required to keep the locomotives supplied with coal.

The Boston & Maine Railroad has one stretch of track electrified, that through the Hoosac Tunnel. If this road would electrify from Boston to Hoosac Tunnel they would effect handsome savings on both labor and fuel. More freight moves over the Boston & Maine Fitchburg division than almost any other railroad in the world. In good times it is one well nigh endless procession of long freight trains, and these trains are hauled by two and many times three enormous locomotives required to lift the heavy loads over the grades. Three locomotives eating up coal in ruinous waste, three engineers, three firemen, to move

TODAY

"Steaming-up" in the yards, a typical example of the waste, or fuel inefficiency, which Joseph Preston condemns in the accompanying article

a train that one electric locomotive could haul with one man to operate it.

A Few Figures

With a modern steam electric generating plant power can be produced that will enable an electric locomotive to move 1,600 tons of freight one mile with the use of 100 pounds of coal. To move 1,000 tons of freight one mile a steam locomotive uses 290 pounds of coal. One electric locomotive is equal in hauling capacity to three of the most modern of steam locomotives. In addition to the saving on coal there is the fireman, the small army of engine hostlers, wipers, roundhouse men, to care for the locomotive. There are the water tanks, the coal yards, the turn tables, the cinder pits, the machine shop which must be maintained to nurse the cranky locomotive along. Locomotives wear out amazingly fast, much faster than an automobile. Run a locomotive 75,000 miles and it must go to the shops for a thorough making over and renovation. Thousands of automobiles have run 75,000 miles and are still in very good condition—at least the advertisements of the manufacturers say they are. **An electric locomotive because of the small number of parts to its mechanism will run for half a million miles with only occasional repairs.**

Since prohibition went into effect in this country the only successful manner in which Bostonians can quench a severe thirst is to take a trip to Montreal. The Montreal and Boston express trains are now liberally patronized. But the railroad fare from Boston to Montreal and return amounts to as much as the ordinary man can earn in a week. If the Boston & Maine would electrify its lines from Boston to Montreal they might be able to reduce the fare, run speedier, cleaner, more desirable trains and they would get more business. Under present conditions in making the run from Boston to Montreal it is necessary to change the locomotive four times, at Nashua, Concord and Woodsville, N. H., and Newport, Vt. Not only does the locomotive change four times but the train crews change four times. Were the line electrified these division points, which are old time, handed down traditions, would disappear. An electric locomotive could haul the trains the entire distance, at far greater speed, at far less expense and with decidedly greater comfort to the passengers.

A Good Investment

The best investment the New York Central Railroad ever made was in the short stretch of electrified road leading into the Grand Central Terminal in New York City. It made Park avenue over from a depressing avenue of dilapidated piano factories and lonesome boarding houses into one of the most desirable, one of the handsomest, the most fashionable avenues of any

(*Continued on page 726*)

TOMORROW

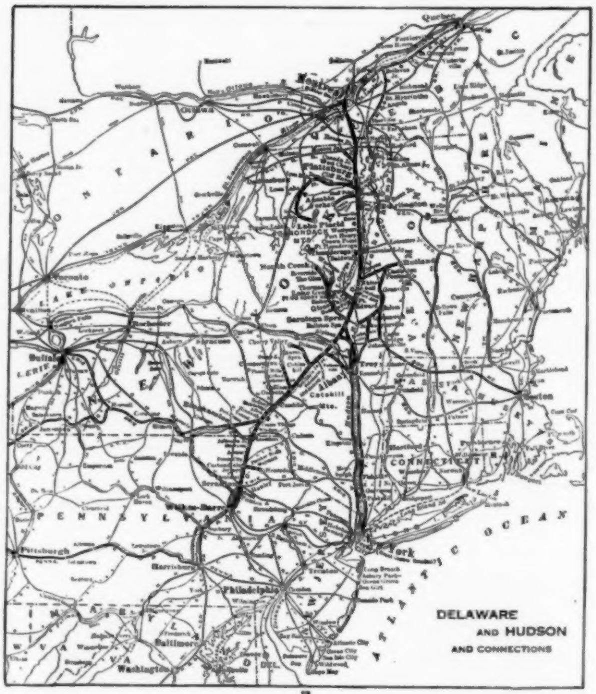
The latest in electric railway locomotives in use by the Chicago, Milwaukee & St. Paul Railroad

What is Delaware & Hudson Worth?

Cut in Operating Costs Are Encouraging Feature—Coal Traffic and Its Bearing on the Company—The Dividend Position

By **JOHN MORROW**

STRANGE as it may seem, after the experience of the past several years, there is an increasingly active disposition to search out values in rail shares in an attempt to make selections that will prove subsequently profitable. **There is a growing feeling in conservative quarters of the financial district that we are going to have a rail market—not the kind of a rail market, perhaps, of fifteen or sixteen years ago, when the average price of the active rail stocks was some sixty points above present levels—but, at least, a market in which the railroad shares will more nearly hold their own with the industrial shares than they have done in the more recent bull markets.** For instance, in 1919, when the industrials were advancing forty points, the rails had to be satisfied with a meager ten points.



For the past two or three months there has been a growing interest in the rail shares, and, naturally, the earlier interest was turned toward the dividend paying rails, but even now, when the so-called standard dividend paying rails have enjoyed appreciable advances, there are a few of the old line issues which have experienced a very inconsiderable share of market attention, and one of these is Delaware & Hudson. This company, one of the oldest transportation systems in the United States, has a dividend record extending back to 1826. Dividend payments have not come in unbroken sequence since that date, but there have been only about twelve years in which some payments were not made to shareholders. The present rate is $9 and has been in effect since 1906, when an increase from $7 was made.

The Delaware & Hudson mileage is limited territorially and the road serves a relatively small area. Its lines run from Wilkes-Barre, Pa., in the heart of the anthracite region, north to Albany, New York, and thence up across the Canadian border and into Montreal. Delaware & Hudson's total mileage is only about one thousand, but for all that it is one of the interesting and important transportation systems of the country. While the company is well known as a railroad, the most interesting and, at the same time, vital part of Delaware & Hudson is its control of anthracite lands. Title to these lands is held either directly by the Delaware & Hudson or by its stock ownership of the Hudson Coal Company. Under a contract made some thirteen years ago, the Hudson Coal Company purchases all the coal produced from the mines directly owned by the Delaware & Hudson.

The Coal Investment

As is the case with most of the anthracite roads, it is well nigh impracticable to get definite figures which will pin the value of coal lands and their operations down to conclusive totals. As far back as 1917, it was estimated that Delaware & Hudson controlled coal tonnage in the ground aggregating 750,000,000 tons. In other words so far as present considerations are concerned, Delaware & Hudson has a permanent supply.

DELAWARE & HUDSON COAL OPERATIONS

	Coal Mined Tons	Anthracite Hauled, Tons
1915	8,100,767	9,990,848
1916	7,186,380	9,300,552
1917	9,059,228	10,879,556
1918	8,043,824	11,225,234
1919	8,205,495	11,253,855
1920	8,089,182	12,888,943

It is popular in reckoning the equities or assets of the anthracite roads in their coal properties to put a per ton value on the known coal in the ground and to call the total the asset value of the coal. It is a truism to state that unmined coal is valuable only as it may be profitably mined and distributed to the consumer, and the rate of production and consumption is an important factor in determining its value as an income producer. However, for the sake of the illustration, a value of 20 cents a ton on Delaware & Hudson's 750,000,000 tons would make the total **$150,000,000**, whereas the whole capitalization of the road, bonds and shares, is about **$135,000,000**.

Since 1916, results from operations of the coal mining department have not been reported. In the six years from 1911 to 1916, inclusive, net revenues from the coal mining averaged about $800,000 annually, excluding dividends received from the stock of coal companies owned. During those six years the average annual production was a little over 7,000,000 tons.

In 1920 the Delaware & Hudson coal properties mined 8,089,182 tons, representing 11.39% of the total output of Pennsylvania. Even without possessing figures to prove the statement, it may be assumed that in recent years Delaware & Hudson's profits from its coal properties have been larger than in the six years for which figures are available.

The anthracite industry, while not exactly facing a crisis, has in front of it the very serious question of an adjustment of miners' wages. The present wage agreement expires April 1st, and at the present writing a strike is threatened. Cessation of mining for a few weeks would not have any appreciable effect upon the distribution of coal through the usual channels, for there is a relatively large supply of anthracite above ground and the open season is coming on. The question confronting such roads as Delaware & Hudson is not a question of the immediate supply of coal, but the question of margin of profit, etc., should there be an adjustment of wages, a reduction in freight rates, and a cut in selling prices.

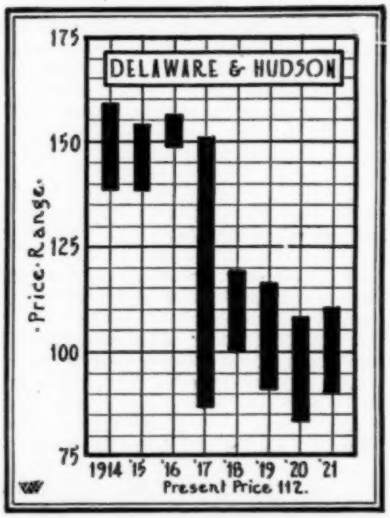
There is no way of clearly ascertain-

ing on what margin of profit coal properties, like those of Delaware & Hudson, have been operating, but even allowing for decreased miners' wages, decreased coal freight rates and decreased retail prices for anthracite, there is nothing that should threaten the stability of the anthracite business, which, in the last analysis, is the backbone of the Delaware & Hudson road, and, incidentally, a very sturdy backbone it is and, in all probability, will continue to be.

Earnings and Dividends

In the old days, before the "flood," when railroads operated more or less at peace with the world, there was seldom, if ever, any question about the size of Delaware & Hudson's earnings as they related to dividend requirements. The year 1917 showed a relatively large drop in net income, but revenues from the coal properties were larger than usual and the road covered dividend requirements with a sufficient margin to spare.

In the three years 1918, 1919 and 1920 actual earnings were poor, but



that was the period of Government control, during which the standard return applied, and this guarantee was large enough to put the $9 dividend out of jeopardy.

In 1921 Delaware & Hudson covered the dividend, and final figures, when issued, are expected to show between $10 and $11 a share on the stock. Shipments of anthracite from the company's properties in 1921 are estimated to have been about 7,000,000 tons, as compared with 8,000,000 tons in 1920. Reduced production was particularly in evidence during the closing months of the year. Although coal production last year was under that of the years immediately preceding there is no present expectation that earnings from the coal department were substantially below the total for 1920. The estimate that the road earned the $9 dividend last year, with a fair margin to spare, is based on the assumption that other income was about the same as in 1920.

A noteworthy feature of the 1921 showing of Delaware & Hudson was that gross revenues totalled between $45,500,000 and $46,000,000, a small increase over 1920. Most of the leading railroads reported, in 1921, substantially smaller gross revenues than for 1920, and therefore Delaware & Hudson's performance presents a pleasing and altogether satisfactory contrast.

New third track, Schoharie Junction to Delanson, on the D. & H. View looking south, showing new bridge, at double crossing, about one mile north of Schoharie Junction.

Like all roads, Delaware & Hudson's operating expenses ran up very sharply beginning in 1918, and the percentage of expenses to gross revenues averaged above 90% in the three years beginning with 1918 and ending with 1920. In 1921 operating ratio was approximately 85%. Compared with normal conditions 85% is an extremely high ratio, but the fact that the company found it possible to decrease its proportionate expenses to gross, as compared with the level of the three preceding years, shows progress in the right direction. That item of operating expenses called transportation costs, which includes the pay-roll, always has been regarded as one of the best tests of any railroad's operating efficiency, and while wage conditions are abnormal the transportation cost account is still of primary importance in its relation to gross revenues.

In 1921 Delaware & Hudson decreased transportation costs over $3,500,000 but increased, very slightly, expenditures on maintenance. **Consequently, practically all of the decrease in operating expenses last year was due to a cut in transportation costs, which, obviously, is a factor of decided encouragement to the company's shareholders.**

In pre-war times Delaware & Hudson's transportation ratio averaged around 35% of gross, and total operating ratio ran from 62% to 68%. In 1921 ratio of transportation costs was brought below 40% for the first time since 1916. Of course, there is plenty of room for further improvement, but it seems as if Delaware & Hudson did, in 1921, all that was humanly possible under conditions prevailing and, incidentally, conditions that will prevail so long as the deadlock over the wage level remains.

Traffic and Coal

While Delaware & Hudson mines, from its coal properties, from 7,000,000 to 8,000,000 tons of coal annually, this is not by any means the total tonnage of coal transported over the lines. In 1920 coal tonnage, both anthracite and bituminous, totalled about 16,600,000, of which 12,389,000 tons was anthracite and the remainder bituminous, a total which showed an increase of about 4,500,000 tons over the total of 1916. In the five years from 1911 through 1916 total coal tonnage ran from 10,500,000 tons to about 12,000,000 tons.

(*Continued on page 736*)

EARNINGS RECORD DELAWARE & HUDSON

(EXCLUDING STANDARD RETURN IN 1918-19-20)

	Gross Revenues	Operating Income	Other Income	Earned on Stock
1915	$22,787,519	$9,059,612	$1,777,827	$14.28
1916	26,634,426	7,781,028	2,305,928	9.78
1917	29,989,399	5,644,353	4,789,728	11.75
1918	34,789,864	2,344,337	4,618,587	2.10
1919	34,749,700	1,778,583	3,688,540	....
1920	45,354,299	2,040,976	3,329,112	....

Industrials

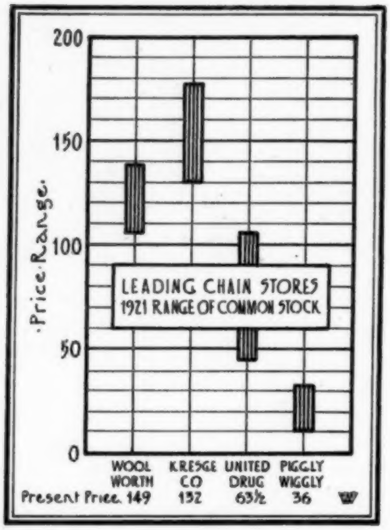
Another Year of Triumph for the Chain Stores

Built on Scientific Principles of Merchandising the Chain Store Companies Are Among the Soundest, Commercial Enterprises

By **WILLIAM J. KEARY**

THE drift to chain store methods of retailing is every year becoming more marked. This is a natural process of evolution. All the time we are aiming to do business more efficiently and more economically driven on by the stress of competition. In this highly competitive age, the enterprise that can cut down costs to the minimum and give the greatest value to the customer is the one destined to reap the greatest measure of success. From the five and ten cent variety articles, the chain idea has been applied to the retail selling of groceries, cigars, drugs, shoes, wearing apparel, candy and other lines. Daily it is being applied to new angles, as a result of the success that has attended it in other fields.

It must not be assumed, however, that the mere intention to apply chain stores methods to a business insures its success. There is a tendency to over-capitalize the reputation of the chain store, particularly on the part of stock promoters. Quite a few stock issues have been offered to the public recently with little more tangible behind them than the fact that the particular business was to be conducted in accordance with the principles employed by established successful chain systems. The system itself is not enough. First there must be offered articles or services which are needed constantly by the public and secondly there must be an intelligent



and capable management. When these two essentials are combined with capital, the rudiments of a successful chain system are present.

Space does not permit the description and analysis of all the leading chain store companies. However four of the principal companies are included herewith. They are Kresge, Woolworth, U. S. Drug and Piggly Wiggly.

S. S. Kresge Company

Prospective Increase in Earning Power Should Result in Higher Dividend Rate

Kresge's first store was started in 1897, and since that time the company has made consistent progress. It must be a matter of pride to the management that in a year like 1921, the company showed record sales and earned record profits. From the start the company has been handled with great foresight, and every step that was taken was well considered and well planned. The profits from year to year instead of being dissipated in dividends were reinvested in the business, and to what advantage the magnitude of the business today shows. From one store in 1897 the business has grown until it embraced 200 stores in 1921 with a sales volume of $55,859,010. Until 1912 outside capital had no opportunity to participate in the development or profits of the Kresge stores.

Growth of Sales

The steady growth of sales year by year indicates the steady and consistent expansion which is going on all the time. In 1912 the company showed sales of $10,325,487; by 1915 they had jumped to $20,943,300; in 1919 they were $42,668,060; in 1920 they had advanced to $51,245,311 and in 1921 they set a record of $55,859,010. In nine years the sales capacity of the company increased over four hundred per cent.

Not only the gross sales capacity but the volume of sales per store have been increasing. From 85 stores in 1912 the total number of stores in operation had grown to approximately 200 at the end of 1921, an increase of less than 140% compared with over 400% in sales. Sales per store in 1912 were $121,476—in 1921 they were $279,295 per store. These figures prove that Kresge's growth is due as much to increasing patronage for the stores already opened as to the addition of new stores.

Profits, too, have increased steadily. As against average profits of $7,872 per store in 1912, the company had an average of $23,135 in 1921, which is another indication of Kresge's growing efficiency. Measuring the profits in volume, the balance for dividends in 1912 was $669,179 or 5.29% on the Common Stock; in 1915 was $1,293,219 or 11.53%; in 1919 was $2,280,201 or 21.40%; in 1920 was $2,753,506 or 26.13% and in 1921 was $3,402,032 or 20.25% on the common capitalization which was increased by 54% during the year. War taxes consumed a large portion of the profits in other years so that with these burdens lightened the amount of income available for dividends should be greater in the coming year even supposing that its earning power remains stationary around its present standard.

Dividend Record

During 1921 the company paid a dividend of 54% in Common stock amounting in all to $5,645,700. In addition it paid the regular 6% rate in cash. Five years previously, in 1921, the company had paid a stock dividend of 80% to its common stockholders, evidencing that in the matter of dividends its stockholders have been treated liberally in recent years. Cash dividends varying from 3 to 6% have been paid in every year since 1913.

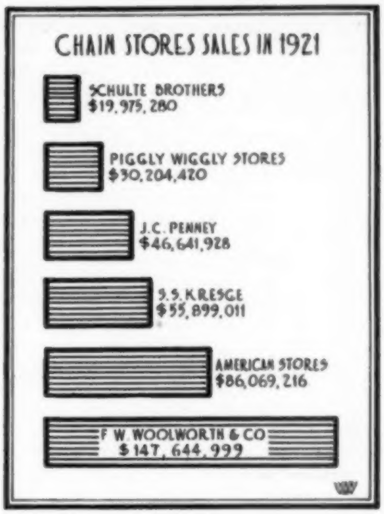
As a result of the large dividend, Kresge Common has been the center of much activity in 1921. It sold around 130 in January, 1921, had reached 150 by April in anticipation of forthcoming events, and after the dividend announcement touched as high as 177. When the stock sold ex-dividend, it fell to a level of 110, which was obviously above its price as a 6% dividend payer, but which reflected the favorable developments that were going on within the company. At present the stock has advanced from the 110 mark of early January to a level of around 132. Selling at 132 and paying dividends of 6%, it yields only slightly over 4½%, so that it is already discounting forthcoming developments. It is probable that the company will show an earning power of between $25 and $30 per share in the present year, and this prospective or actual earning power will be responsible either for an additional stock dividend or an increase in the cash dividend rate. What action may be taken is of course a matter solely in the hands of the directors. In view of the 54% stock dividend in 1921, another stock dividend of any size this year is highly improbable particularly as the surplus of the company at the end of 1921 was equivalent to 28% on the outstanding

common, compared with a ratio of 73% the year previously. The directors might easily put the stock on a 10% annual cash basis, and accumulate the prospective remaining 15 or 20% for future stock dividends.

Conclusion

What action will be taken—if any—is purely a matter of guesswork at this stage, only it is pertinent to point out that the excellent progress of the company justifies that something be done, and the stock at 132 is anticipating to some extent whatever this "something" may be. The writer does not believe that Kresge common at 132 is a stock that will give a quick turn-over in profits, but anyone buying the stock with the intention of holding it for a long period is likely to reap a handsome profit over a few years. The stock has great earning power and the stockholder will share generously in the profits both through cash and periodic stock dividends.

The balance sheet at the end of 1921 reflects a very strong position. Current assets were $12,251,919 against current liabilities of $3,026,040, consisting mainly of accounts payable. Cash alone amounted to $5,141,962, not far short of the combined total of its current and funded indebtedness. Plans call for the opening of sixteen new stores in 1922, which will make a substantial addition to the sales volume and very likely to the earning power of the company.



F. W. Woolworth Company

Powerful Financial Position—Increased Dividends Likely

Woolworth has been making the same kind of steady progress as the Kresge company, though not so fast. In 1912 it had 631 stores and in 1921 it had 1137. The average sales per store were $95,877 in 1912 and by 1921 had increased to $129,864 per store without any increase in the prices of the commodity sold. Average profits per store rose in the same way from $8,581 in 1912 to $12,131, in 1921, showing the increasing efficiency of the company. This rate of increase while considerable is not nearly as favorable as the record of the Kresge Company.

Higher Profits

Gross sales of Woolworth grew from $60,557,767 in 1912 to $147,654,647 in 1921. Year by year the growth has been consistent both in total volume and average volume per store. The "five and ten" is continually attracting more patronage, largely because of the excellent values it gives. Any prejudices that may have existed in the past towards the store are disappearing. It is no longer a matter of condescension or a cause of embarrassment to enter the "five and ten." Woolworth had the audacity to invade haughty Fifth Avenue, New York's aristocratic thoroughfare, and in addition to breaking down barriers is getting good operating results there. Service and value ultimately bring their reward and public recognition of the measure of service and value meted out by Woolworth and kindred organizations is reflected in an ever growing patronage.

Net profits for 1921 were $13,792,960 or $19.34 per share compared with $9,775,252 or $14.73 per share in 1920. These were the profits after writing off for depreciation of inventory values $1,743,170 in 1921 and $4,478,605 in 1920—a provision that was dictated more by conservatism than necessity. Earnings are the highest in the published record of the company both in dollars and per share on the common capitalization. Compared with earnings of $19.34 per share in 1921, the average earning power for the five previous years was $15.84 per share, on a capitalization, however, that was less than that outstanding at present.

British Investments

No income is being received at present from the holdings in the English Woolworth Company, the control of which is in the hands of the American company. Over 100 stores are now in operation in the British Isles, and plans are under consideration for opening up fifty additional stores. The profits earned by the English company are not being distributed as dividends but are being reinvested to advantage in the business. Eventually, this policy will bring more profitable results and it is well to keep the English organization in mind as a future source of revenue for the company.

Woolworth Common has had a good advance in 1921. In the early months it was selling around 105 and rose steadily until it touched a high of 139¼ for the year. Since the beginning of the new year it has continued its upward course touching a high of 152⅜ and now selling around 149. Last April when the stock was selling at 114, it was recommended to readers of this MAGAZINE as offering attractive speculative opportunities and those who acted on that recommendation have reason for congratulation. Since

Photo from Underwood & Underwood

BEFORE THE CROWD COMES IN

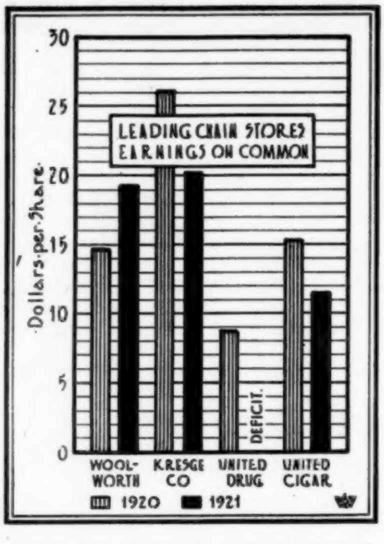
A View of One of the F. W. Woolworth 5 and 10-Cent Stores. Gross sales of Woolworth increased from $60,000,000 in 1912 to $147,000,000 in 1921. Other American chain store corporations enjoy corresponding prosperity

1917 the Common has been on a regular cash dividend basis of 8%, with rates varying from 2 to 7¾% prior to that time. In addition to the cash dividend, the company paid a stock dividend of 30% in June, 1920, and maintained the 8% rate on the increased capitalization. Based on its selling price of 149, the stock, paying cash dividends of 8%, gives a return of only approximately 5.4%, so that like Kresge Common, its price is discounting forthcoming developments. The probability is that another stock dividend will be paid, although in view of the exceptionally strong cash position of the company an extra cash disbursement may be made. When the company declared the 30% stock dividend in 1920 it had a surplus of over 50% of its common stock on the books, but at the present time the surplus is equivalent to about 34% on the common. Accordingly the maximum stock dividend, if such is declared, is not likely to be in excess of 20%, but it may be supplemented by an extra cash disbursement or a permanent increase in the rate. It is unwise to prophesy what directors may do, so the best that can be said is that conditions warrant a 20% stock dividend, and an extra cash disbursement or a permanent increase in the 8% rate.

Strong Financial Position

Assuming an earning power of $13,792,960—last year's standard—the company could pay 10% on the $78,000,000 stock that would be outstanding after a 20% stock dividend, and add nearly $6,000,000 or over 7½% to surplus.

Like Kresge Common at 132, Woolworth Common at 149 does not promise a quick turnover in profits. Its present



price discounts the effect of a 20% stock dividend and possibly an extra cash dividend. As a long pull stock, however, it has good possibilities and should show a profit to a patient holder.

As of December 31, 1921, the company had total current assets of $28,043,007 compared with current liabilities of $4,336,965. Cash alone totalled $11,050,799 equivalent to over 2½ times current liabilities, composed mainly of a $3,500,000 reserve for Federal taxes and similar items. Inventories have declined from $17,914,419 on December 31, 1920 to $15,688,533 at the end of last year. Few companies can boast the excellent position that the balance sheet of this company reveals.

Piggly Wiggly Stores, Inc.

Rapid Rate of Growth—Shares to Be Listed on New York Stock Exchange

Piggly Wiggly Stores, Inc., has incorporated the self service principle with the chain store idea, and accordingly may lay claim to a distinction of its own among the chain systems. The retailing of high grade standard brands of groceries is the function of the company and it is done in a novel way. Customers enter through a turnstile and of their own accord select their purchases, the prices of which are indicated by swinging tags, from well arranged shelves, placing them in a basket provided for the purpose at the entrance. The aisles of the store are so arranged that the customer must notice every article on display, and this contact is in itself a strong urge to buy. As he emerges, he passes through another turnstile where his purchases are quickly wrapped and his bill rapidly calculated. By this method of merchandising, the customer is saved from delay, the annoyance of persuasion and buys at lower prices, while the company is saved clerk hire, expense and earns the customer's good will which means his continued patronage. The name of the company may be quaint, but its business and methods are sound.

Some confusion exists regarding the two principal Piggly Wiggly Companies whose names are somewhat similar. The Piggly Wiggly Corporation is the original company, which acquired the patents, trademarks and rights of the Piggly Wiggly system but sold no goods. For a time it gave individual operators the right to open stores in specified localities, in return for royalties of one half of one per cent. of the gross sales of such stores and agreements to abide by certain regulations. Subsequently the company known as Piggly Wiggly Stores Inc., was incorporated to operate stores in territories not already allocated on the same conditions as the operators in other regions. The Piggly Wiggly Corporation obtained a large interest in the new company whose shares are listed on the Chicago Exchange owning some 27,000 shares of Class A stock for which it paid $39 per share in cash and some 37,500 shares of Class B stock which it received in payment for patent rights out of a total of 150,000 Class A and 50,000 Class B stock outstanding.

Has Turned Corner

Piggly Wiggly Stores Inc. met with many difficulties in the deflation period, but it has weathered them all in good shape. At times the decline in commodities was so rapid, that even the Piggly Wiggly stores with their record for quick turn-over could not keep pace and losses were inevitable. In the last quarter of 1921 the worst had passed and now everything looks roseate for a very successful year in 1922. Stores are being opened in New York and surrounding territory, and the present rate of growth of the system is almost as phenomenal as that which characterized its early activities. A new departure is the inauguration of a chain of stores selling variety merchandise, priced from four to thirty-nine cents on the self service principle, according to standardized Piggly Wiggly methods. These stores, however, have no direct connection with the Piggly Wiggly Stores Inc., but are a child of the parent corporation.

Sales of the entire Piggly Wiggly system embracing 650 stores amounted to approximately $53,000,000 in 1921. Of this volume, Piggly Wiggly Stores Inc., with 330 stores had sales of over $30,000,000. For the first nine months of 1921 the company sustained an operating deficit of $48,300.62, but fully readjusted to the new conditions showed a profit of $270,063.07 for the last quarter, making a net operating profit for the year of $221,762. In the month of January, 1922, which is not as good as other months of the year, the company had net profit after charges of $72,739.24. If this is accepted as an average monthly standard the earnings for 1922 should amount to about $875,000, although this is below the estimate for the year which is placed at $1,200,000.

Piggly Wiggly Stores Inc., in addition to the profits to be derived from the operation of its own stores had recently opened to it a new source of revenue. Instead of availing itself of its privileges to install stores in all undeveloped territory, the company has contracted to allow independent companies to operate stores in certain portions of such territory, in return for which it receives a royalty of one-quarter of one per cent. on the gross sales of the stores operated and one-half of the initial license fees. During the portion of 1921 that this contract was in operation, the company derived a profit from it amounting to over $90,000. It is expected that the annual revenue from this source in the future will be of substantial proportion.

In 1920 after the first violent decline in prices, the company suspended the dividends on the Class A stock temporarily, and by the middle of the year there will be some $8 per share accumulated in back dividends.

The Dividend Situation

Estimated earnings of $1,200,000 for 1922 would be equivalent to $8 per share on the 150,000 shares of Class A stock outstanding. On this performance the company could pay its current annual dividend of $4, and clear up something on its back payments. According to present expectations dividends will be resumed and the Class A stock once more established on a regular dividend basis by the middle of the year.

Improvement in the operations of the company has been reflected by the strong

(Continued on page 724)

Will Crucible Pay the Dividend?

Company Tied Up with Inventories—Little Demand for Products—Outlook for Securities

By **FRED L. KURR**

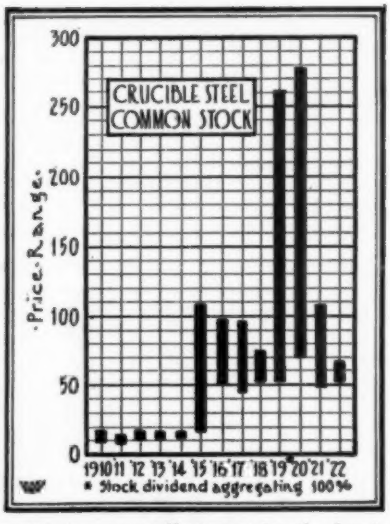
OF the various companies that were put on their feet both financially and physically by the world war, Crucible Steel is one of the most prominent. This company manufactures about 95% of the crucible steel output of the United States and as the demand for this grade of steel during the war period was practically unlimited the company was able to pile up huge profits. In the five-year period ended August 31, 1920, earnings on the common stock, after deducting preferred dividends totaled 180% of which only 15% was paid out in dividends, leaving 165% added to the asset value of the common stock. If before the war the common stock represented nothing more tangible than good will, it would now have an asset value of $165 a share on the basis of the original amount of common stock outstanding. In 1920 several stock dividends were paid which increased the outstanding stock from $25,000,000 to $50,000,000. At present price of 57 therefore, the stock is selling at the equivalent of $114 a share, as against $165 a share added in assets during the war period.

Of the large sums plowed back into the property through earnings approximately $18,000,000 is reflected in increased working capital and the balance in new plants and plant improvements. As of August 31, 1921, working capital of the company totaled $25,980,000. **This working capital, however, was entirely absorbed by the company's large inventory of $25,174,388 and as a result the company was a borrower at the banks to the extent of about $3,000,000.**

The Nature of the Industry

As is well known the steel industry is subject to very wide swings in activity. In other words in periods of prosperity profits are large, whereas in periods of depression very few companies in the steel business can get by without substantial deficits. In high grade steel products such as manufactured by Crucible the falling off in demand is likely to be even more drastic than in the cheaper steels and Crucible has had a very hard row to hoe in the past several months.

The last annual report of the company covered the twelve months ended August 31, 1921, and showed 7.59% earned on the common stock. This was before deducting anything for depreciation and amortization of plants and equipment. The company, however, stated that the sum of $4,575,069 was added to reserves for these items and that this



amount was an adjustment for the fiscal years 1918, 1919, 1920 and 1921, and that the proportion applicable to the year 1921 was not available. Pro rating this amount over the four years and earnings for 1921 fiscal year would show only 5% earned on the common, as against 7% paid in dividends.

The Current Situation

As Crucible only issues its report once a year there are no figures available as to how earnings have been running since September 1, 1921. There are plenty of indications, however, that they have been very unsatisfactory. Large deficits have been reported by the other large independants, such as Republic and Lackawanna and as the demand for Crucible's products has been if anything less than the demand for the products of the former companies, there is little question but that large deficits have been piled up. In addition to loss from operations Crucible undoubtedly faces further large losses on its heavy inventory account of $25,000,000, as operations have been at so low an ebb that a relatively small amount of this inventory has been worked off. This inventory was carried on the books of the company at cost, admittedly higher in many items than the market value on August 31, 1921.

Compared with the stock of other steel companies Crucible appears to be selling somewhat out of line. For example Republic Steel common is selling for about 38 cents on the dollar for every dollar added to the company's assets during the war period and Lackawanna common is selling, on the same basis, for 30 cents on the dollar. Crucible on the other hand at present prices is selling for approximately 77 cents on the dollar. In other words the present market price of Crucible gives over 100% greater value to the accumulated profits than in the case of Republic or Lackawanna. The financial condition and outlook for Crucible does not appear to justify this discrepancy.

Of course, one reason for the higher price of Crucible is that dividends are still being paid on the common stock. Up to the time of going to press directors had not acted on the common dividend payable in April. With a none too strong financial condition and conditions still unsatisfactory the directors would not appear to be justified in paying this dividend.

In the ten years preceding the war Crucible common stock, as can be seen by the accompanying graph did not sell above 20 which, on the basis of present capitalization, would be equivalent to 10. Of course, a comparison with the pre-war period is hardly fair in view of the fact that this company

(*Continued on page 722*)

CRUCIBLE STEEL

CURRENT ASSETS
(As of August 31)

	1915	1918	1919	1920	1921
Government securities	....	$389,150	$747,500	$87,000	$87,000
Inventories	$6,996,527	18,908,356	27,605,896	30,557,290	25,174,388
Due from employees	....	....	547,846	....	....
Bills receivable	75,893	29,151	30,677	73,541	298,771
Notes and accounts receivable	5,148,666	17,816,644	9,141,977	10,628,889	3,574,231
Cash	1,181,096	3,654,662	4,536,718	2,747,050	2,082,662
Total	$13,402,782	$40,797,962	$42,612,615	$44,093,918	$31,217,052
CURRENT LIABILITIES					
Notes payable	$2,315,000	....	$500,000	$4,975,000	$2,975,000
Accounts payable	3,612,416	$4,719,842	4,211,308	7,350,465	1,291,608
Interest, divid'd and taxes accrued	83,754	10,318,362	9,496,712	3,521,882	1,052,015
Total	$6,011,170	$15,038,144	$14,208,020	$15,847,297	$5,318,623
Working capital	$7,391,612	$25,759,818	$28,404,595	$28,246,621	$25,898,429

A Strong Industrial

Underwood Easily Withstood Depression — Outlook Now Very Encouraging

By **PERRY A. EMERSON**

THE Underwood Typewriter Co., whose business is not yet 20 years old, represents the development of a sound idea. Its record has proven the calibre of its management, and its steadily increasing sales have proven the quality of its product.

The present company was formed in 1910, as a consolidation of the Underwood Typewriter Manufacturing Co. and the Wagner Typewriting Co. At that time, the company's products were standard typewriters, manufactured in a small plant in Hartford.

As time went on, the new company went through a steady expansion. The small plant at Hartford grew into the largest typewriter factory in the world. Another plant was erected in the same city. A third plant was put up in Bridgeport.

The company's office and service space was also immensely enlarged. One 18-story structure was erected in New York City to accommodate the company's office workers. A second 12-story building was erected in the same city for use as a service building.

All of this construction and expansion, it should be noted, was financed out of the company's earnings. The company has no funded debt now and never had any.

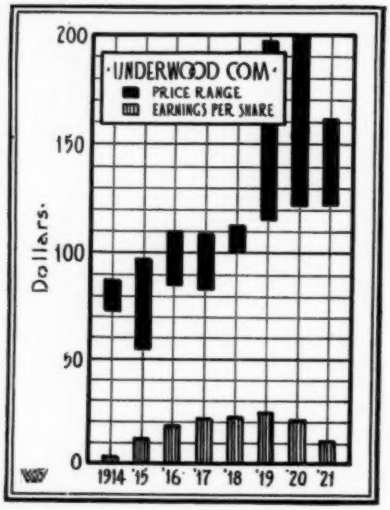
Earnings Record

It is possible to compare the company's earnings for the period from its organization (as now constituted) to date. This has been done in the accompanying table.

From an inspection of the record, it is seen that, for the ten years to and including 1919, the company's financial results followed a progressively upward course broken only by the universally disastrous year 1914, when business was bad everywhere.

The last business slump in this country cost Underwood heavily. Net earnings in 1921, as just announced, were at the lowest rate in the history of the present company.

The concern was so strongly intrenched, however, that it went through the business crisis without material difficulty. Earnings were large enough to permit maintenance of the established dividend rate; and the change in the company's balance sheet position was negligible. Working capital at the close of 1920 was $9,610,000; at the close of last year it was only $600,000 less. The company's inventories increased by $1,128,000, and $560,000 was spent during the year for plant additions and improvements; offsetting these items,



$2,250,000 notes payable appear in the liabilities. This is the whole story of the industrial slump, so far as Underwood is concerned.

Encouraging Outlook

There is reason to believe that the Underwood Typewriter Company's earnings during the current year will be at a satisfactory rate.

One factor to contribute to this development is the improvement in the demand for typewriting machines generally. The foreign market, which all but disappeared while exchange rates were tending downward, is giving renewed signs of life following the recovery in exchange. Also the domestic market is improving.

But what will probably be chief factors in improving the company's 1922 results are the new products which a progressive management has and is about to put on the market. One of these is a portable typewriter, which has elements that have made it an extremely popular product.

The second new product—and one of which no previous announcement has been made elsewhere—is a noiseless machine. That this product will find a ready sale seems assured, since none of the features of the old Underwood Standard Machine had to be sacrificed in order to do away with the noise. The new mechanism differs from the old only in bulk and in the fact that it is sound-proof individual investors can supply from their own experience in large business offices the possibilities that lie in an Underwood machine of this character.

Conclusions

Underwood Typewriter securities consist of $3,900,000 7% cumulative preferred stock and $9,000,000 common. There is no funded debt. The preferred shares have received regular dividends since organization. A total of $68.50 has been paid on the common, per share, since 1911, extras of 5% being paid in 1918, and of 10% in both 1919 and 1920. The stock is now on a 10% basis.

The company's comfortable financial position, large earning capacity and excellent trade prospects mark the preferred shares a good investment.

The common, now selling at 130, appears a very attractive speculative investment at that figure.

UNDERWOOD TYPEWRITER CO.'S EARNINGS RECORD

(000 Omitted)

	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	10-Year Average	1921
Net Earnings	$1,375	$1,903	$1,803	$841	$1,465	$2,549	$3,162	$4,020	$4,122	$3,142	$2,438	$1,220
Other Income	72	43	75	51	52	75	110	210	380	330	139	269
Total	$1,447	$1,946	$1,878	$892	$1,517	$2,624	$3,272	$4,230	$4,502	$3,471	$2,577	$1,489
Depreciation	170	213	214	213	181	244	244	200	231	227	213	183
Bonus	176	113	....	....	....	293	328	376	422	333	....	....
Federal Taxes	....	....	....	....	....	....	500	1,250	1,250	665	....	120
Balance	$1,101	$1,620	$1,665	$679	$1,337	$2,086	$2,200	$2,404	$2,600	$2,246	$1,793	$1,186
Preferred Dividends	350	350	340	322	317	303	275	273	273	273	307	273
Common Dividends	255	340	340	340	340	383	945	974	1,620	1,215	675	900
Surplus for Year	$496	$930	$985	$17	$680	$1,401	$981	$1,157	$707	$758	$811	$13

Switching From 28 "Pups"

Recommendations for Exchanges from Securities Selling Under $5 Per Share into Others of Greater Intrinsic Value

By **A. T. MILLER**

LISTED on the New York Stock Exchange, there are, as this is written, no less than twenty-eight more or less active stocks, quoted at prices ranging from a fraction of a dollar to five dollars per share, not including the stocks of Gaston, Williams or Columbia Graphophone.

The twenty-eight stocks listed in the accompanying table represent the flotsam and jetsam of market activities in the past few years and are commonly known in Wall Street as "pups." Hence the accompanying title.

These stocks have all at one time sold at higher prices, in some cases very much higher than current quotations, at a time when their prospects were at least fairly good. Since that time, however, these companies have steadily deteriorated until they now offer very little more than a forlorn hope. Certainly, under present conditions, they present nothing but the most dismal speculative or investment prospects.

Large Losses

Every share of these properties is owned by investors who, in the aggregate, must have sustained very large paper losses as a consequence of the decline in their price. How to recover all or part of this loss is a problem facing the unfortunate individuals holding these securities. While there may be several exceptions in the list, it is almost hopeless to expect that any great part of the loss sustained in the past can be retrieved except through the exchange of these securities into others that hold out better possibilities.

The writer of this article hastens to add that in his opinion even under a favorable exchange of securities, it would hardly be possible to make up the entire loss where such loss had reached, as in some of the stocks enumerated in the table, forty or fifty points. He merely suggests the advantage of an exchange in order that investors "hung up" with their unfortunate holdings may find an opportunity to make up at least a little of their losses. It may be that even a great share of their losses can be made up in this manner but this is a rather uncertain proposition. It would not do to depend on such possibilities. In any case, however, considering the poor character of the issues under discussion, it is apparent that where a favorable exchange of securities can be made there is nothing to be lost.

It is therefore worth while recommending a few "switches" that, on the basis of existing conditions and those likely to obtain in the future, might result in making up a certain part of the losses incurred in the "pups." This will be the purpose of this article.

The Method

Since the purpose of an exchange of securities is to better the position of one's holdings, it is obvious that the issue into which the exchange is to be made should hold better possibilities than the one from which the exchange is made. Thus, it would be distinctly an unintelligent manœuvre to exchange a stock like Alaska Gold into a stock like Batopilas Mining. Neither of these issues, apparently, has any prospects worth mentioning and it would be difficult to see the advantage of an exchange of one into the other. The fact that they both sell at about the same price does not warrant the exchange. In fact, where a "switch" is desired, the price of the issue into which the exchange is to be made is not a particularly important factor. Thus a stock selling at around $5 a share could very well be exchanged into one selling at $10 a share simply by halving the holdings. Thus 100 shares of Chicago & Alton preferred which sells at around $5 a share could be well exchanged into 50 shares of Tennessee Copper & Chemical which sells at about $10 a share.

The Recommendations

The issues into which the writer recommends that exchanges be made and which are listed on the accompanying table in every case, it will be seen sell at higher prices than those from which the exchange is made. In exchanging, the investor should, so far as possible, make the exchange on a basis so that no new cash outlay will be required.

Thus, if you are to exchange $500 (market value) worth of stock don't exchange into $1,000 worth of stock, otherwise in addition to "switching" you will actually be making a new commitment which is certainly not the purpose of a "switch." Therefore if you are to sell $500 worth of the stock make the exchange by buying $500 worth of the stock into which you wish to make the exchange.

It is perfectly feasible to exchange a stock selling at 1⅞ into one selling at 4¾, or one selling at 7¾ into one selling at 11½. All that is necessary is a little arithmetic to make the exchange a correct one from a mathematical viewpoint.

Issues worth exchanging into are Tennessee Copper & Chemical, American La France Engine, Callahan Lead & Zinc, Guantanamo Sugar, Wright Aero, and among the stocks selling at somewhat higher prices: Hupp Motor, Keystone Tire, Pond Creek Coal, Union Oil and Western Maryland 2nd preferred.

In conclusion, the investor should again be warned that where he has already sustained very large losses it is quite unlikely that such losses can be made up in entirety through the "switches" suggested. It is even possible that not even a large part of such losses can be so made up. However, some part should be made up and on that conservative basis of hope, investors would be warranted in exchanging their securities in the manner suggested in the aforegoing.

A Profitable Exchange of Securities

	Price About
$1 per share or under:	
Alaska Gold	⅛
Alaska Juneau	⅞
Batopilas Mining	½
Consol. Distrib.	⅜
$2 per share or under:	
Atl., Birm. & Atl.	1
Habershaw Elec.	1⅛
Maxwell Motors	1
Nat'l Conduit & Cable	1⅜
Saxon Motor	1⅛
Max. Motor 2nd pfd.	2
$3 per share or under:	
Atlantic Fruit	2⅛
Brunswick Dock	2⅛
Chicago & Alton	2⅝
Interboro Consol.	2¾
Manhattan Beach	⅛
Okla. Prod. & Refin.	2⅜
Santa Cecelia Sugar	3
Temptor	2⅛
$4 per share or under:	
Case Plow	3¼
Dul., S. S. & Atlantic	3½
Indiana Oil	3⅜
Mo., Kan. & Tex. old common	3⅛
$5 per share or under:	
Amer. Safety Razor	5
Auto Sales	4
Chicago & Alton pfd.	4¾
Seaboard Air Line	4
Submarine Boat	4
U. S. Food Prod.	4

The Exchange

NOTE—Exchange any of the securities in the left-hand column into any of the securities listed in this column.

	Price
Callahan Lead & Zinc	5
Wright Aero	7
Guantanamo Sugar	10
Amer. La France	10
Tenn. Copper & Chem.	10
Hupp Motor	14
Keystone Tire	16
West. Maryland 2nd Pfd.	16
Pond Creek Coal	17
Union Oil	18

Company Shows Steady Growth

A Profitable Reorganization—Popularity of Products —Efficient Management — Outlook for Earnings

By **FREDERICK LEWIS**

ONE of the most striking examples of a company that has come back strong after reorganization is the Allis-Chalmers Manufacturing Co. This company for years has had a large and growing business, but before its reorganization in 1912, it was handicapped with insufficient working capital to efficiently handle its business and had a large bond issue with heavy sinking fund requirements. A drastic reorganization was, therefore, decided upon. The entire bonded debt of $11,148,000 was wiped out by an exchange into preferred common stock and ample working capital was obtained through assessment of stockholders.

Having once been brought into difficulties through insufficient working capital the Allis-Chalmers management adopted the wise policy of building up the financial strength to such a point that it would appear to be able to meet any contingencies that might arise without having to become a borrower at the banks. For several years, therefore, although substantial earnings were shown for the common stock, dividends were withheld and all earnings put back into the property. For the five years 1916-1920 earnings on the common stock, after allowing for preferred dividends totaled $50.54 a share and only $3 per share was paid out in dividends, initial dividends at the rate of 4% per annum having been started in August, 1920. In these five years, therefore, over $47 a share was added to the asset value of the common stock or its approximate present market price.

An Exception to the Rule

Unlike so many industrial companies that piled up large profits during the period of inflation this company came through the following depression without taking any losses and with conditions on the mend stockholders may now feel that the substantial assets added during the period of prosperity are not going to be dissipated. For the year ended Dec. 31, 1921, the company reported earnings available for the common stock equal to $4.11 a share, covering the dividend with a slight margin to spare. When it is considered that 1921 was a disastrous year for most of the steel and machinery manufacturing companies this is truly a very excellent showing. In getting through 1921 in such good shape, the company was greatly favored by having at the beginning of the year a substantial amount of orders on hand that could not be canceled. This enabled the company to work off the larger part of its high-priced inventory at a profit. New business during the year was of small proportions and as old orders were filled earnings fell off.

This is clearly shown by the quarterly reports. In the first quarter $1.89 a share was earned on the common, in the second quarter $1.34, in the third $0.51, and in the fourth $0.37. Recently, however, there has been a turn for the better and indications are that business will continue to come in at a more satisfactory rate.

Before reorganization the company had several plants located at Chicago, Milwaukee and West Allis. The efficiency experts were put to work and the work concentrated in fewer plants. Allis-Chalmers is now conceded to have one of the most efficient manufacturing plants in the country. Every possible waste and lost motion has been eliminated resulting in materially lower operating costs.

The Business

The products turned out by the company have steadily been growing in popularity and are more or less standard in design. The air brakes and air compressors, the steam, gas and oil engines are of types that meet the demands of business at large, although any design can be made which the trade desires. The company also produces large quantities of mining, power-transmission and pumping machinery, together with steam and hydraulic turbines and various other equipment and apparatus.

One promising source of new business is from the public utility companies. These companies after having passed through several lean years are beginning to feel prosperity again and are coming into the market for new equipment for additions to plant such as generators and motors. The expected active development of water power in the next few years should also mean considerable business for Allis-Chalmers.

Earnings

At the end of 1921 unfilled orders were $7,300,000, as compared with $17,000,000 at the end of 1920, so that it can be seen that it is important for new business to come in more rapidly. The management is optimistic in this regard and there would appear to be sound reasons for taking a constructive view of the immediate future. Of course the company did not earn its present dividend on the common stock in the last two quarters of 1921 and is not likely to show the dividend earned in the current quarter. A continuance of the present rate, therefore, will depend a good deal on how business comes along in the next six months. The writer's opinion is that developments will be sufficiently favorable to warrant the maintenance of the dividend.

For anyone who is inclined to be skeptical in regard to the intrinsic value of Allis-Chalmers securities a glance at the balance sheet should be reassuring. This company has a really larger working capital then it requires for the normal conduct of its business. The balance sheet as of Dec. 31, 1921 has not as yet been issued but working capital is understood to be in the neighborhood of $25,000,000 and cash on hand close to $6,000,000. The company is entirely clear of bank loans. When it is considered that the total capitaliza-

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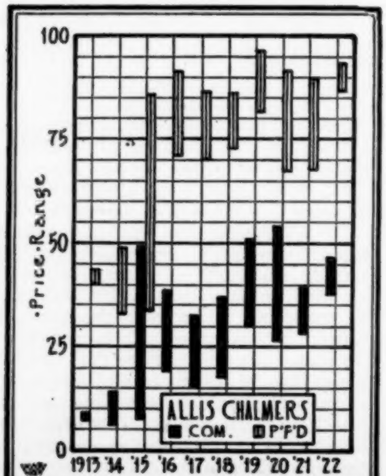
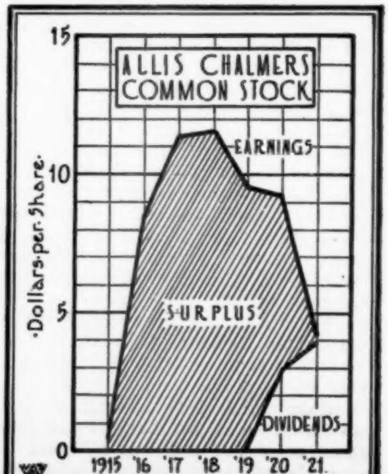




Answers to Inquiries

On Industrial Securities

SHORT OF U. S. STEEL

Investment Position Improving

I am short of 400 shares of United States Steel at an average price of 77. In view of the fact that this stock only pays 5%, why does it sell so high, especially when earnings are poor and the outlook nothing remarkable in the steel industry?—O. H. T., Montreal, Quebec, Canada.

We greatly regret that you did not get in touch with us earlier as we feel very confident that you would not have gone short of U. S. Steel or at least not stayed short until it went so much against you. Of course, Steel may react a little from present levels, but we believe the reaction will be a very moderate one and look for it to go to considerably higher prices in a year's time. One point in connection with U. S. Steel, which a good many people are overlooking is that the investment standing of this stock is increasing from year to year and it is really commencing to take its place with the Standard Oil securities. It is being purchased in small lots by people all over the United States and a quarter of a million shares are being taken out of the market yearly by employees. The big asset value behind U. S. Steel common is well known and it is purchased by investors who feel that if held for a year or two another steel boom will come along and they will be able to cash in a handsome profit. Many Standard Oil stocks are selling on not much better than a 4% basis, the idea being that sooner or later a melon will come along and as we have already stated, we believe U. S. Steel is getting in the same class.

MARTIN PARRY

Good for Long Pull

On your suggestion I purchased some Martin Parry at 23. It has now dropped back several points from its recent high. Would you advise holding or selling out at present levels of 27 as I still have a good profit?—S. J. A., Honolulu, T. H.

Martin Parry is now selling around 27½ and we would not advise selling at that figure. When it was rushed up to around 33 we suggested to our subscribers that they take profits at that figure on at least part of their holdings. However, we regard the long pull prospects of the company very favorably and believe it should improve in value from present prices.

OTIS STEEL 8s

Favorable Outlook

I have an Otis Steel 1st mortgage 8% bond due 1941, which I purchased at subscription price. I would like to hear your advice as to whether I should hold or sell out and take a small loss.—P. N. S., Chicago, Ill.

While Otis Steel 1st Mortgage 8s must be regarded as a speculative bond, still there is a very large amount of assets behind them and in our opinion they should ultimately work out all right. For that reason it would be worth while holding on to your bonds in view of the improvement in the steel industry.

$7,000 TO INVEST

Eight Securities Selected

Will you please give me some advice on how to invest $7,000? I can afford to take a certain amount of risk as I am not dependant on this money for living expenses. Would like therefore, securities that have a good chance of ultimately increasing the amount of my principal. H. F. R., Washington, D. C.

For the investment of $7,000 we would suggest putting $3,000 into bonds of middle grade, $3,000 into semi-speculative investment securities, such as preferred stocks and $1,000 in speculative securities. We submit for your investment the following list:

Bonds	Price
$1000—Packard Motors 8s due 1933	99½
1000—Chile Copper 6s due 1932	85
1000—Southern Railway 6½s 1952	94½
Pfd stock—American Smelting & Refining 7% pfd.	89
California petroleum 7% pfd.	88
B. F. Goodrich 7% pfd.	84
Com. stock.—Westinghouse Electric $4	55
Martin-Parry $2	27

AMERICAN SHIP & COMMERCE

Favorable Legislation Likely

How do you regard American Ship & Commerce at present price of about 11 as a long pull speculation—W. M. G., Lowell, Mass.

American Ship and Commerce we regard as a good stock to hold for the long pull at present levels. The administration has gone on record as favoring the American Merchant Marine and we believe sooner or later there will be legislation favorable to the shipping companies. Aside from this, this company controls the Cramp Shipbuilding Company of Philadelphia, and while it is not expected that the building of new ships will flourish, owing to the overproduction at this time, yet it seems there should be a great deal of repair work to vessels which were rather hastily constructed during the pressure of the building period, and it is believed that the Cramp Company will be able to show fairly satisfactory earnings from this source.

U. S. FOOD PRODUCTS

Assets Largely Dissipated

I would appreciate your advice in regard to United States Food Products common stock.—K. N., Roxbury, Mass.

The stock is now selling around $4 a share. It is problematical what will be saved for the stockholders in the event of a receivership. Operations during 1921 would appear to have been most unfortunate and apparently what assets the concern possessed were to a great extent dissipated as a result thereof. However, while we would not advocate purchasing the stock, neither would we recommend disposing of it around present levels as sufficient may be saved from the wreck to justify its present selling price.

We regret if you held this stock at higher prices that you did not communicate with us earlier, as for several months we have recommended the disposal of this stock when it was selling a good many points higher.

SEMI-SPECULATIVE INVESTMENTS

A Good List

I notice that for the year 1921 Pressed Steel Car did not quite cover the dividend on its preferred stock and hasten to ask you if you consider this a good stock to hold, or do you think dividends are shaky? Is it overstepping my question allowance to ask you to cast your eye over the list of my stocks and tell me if you consider any of them unsound? American Steel Foundries pfd., American Tel. & Tel., Anaconda, Bethlehem Steel 8% preferred, General Motors 7% debentures, Pressed Steel Car Pfd., Worthington Pump pfd. A. I have been considering buying some more of the last named —C. F. E., Massie's Mill, Va.

In our opinion Pressed Steel Car preferred is in a sound investment position and we do not think you have anything to worry about in holding this stock. Of course, a security of this kind cannot be considered gilt-edge and it is not anything that you would want to put your entire funds in, but we should say it is suitable for a portion of your funds.

Your other securities are about in the same class; they are good semi-speculative investment issues and with business on the up-grade, we should say that the dividends where paid are all reasonably safe. But, as we have said before, you should not purchase too much of any one of these stocks. Instead, therefore, of purchasing any more of Worthington Pump preferred A would suggest another good preferred stock—American Smelting & Refining 7% preferred, selling around 90. The outlook for this company is much better than it has been. In the past this preferred stock has always held well above par and we believe it will go there again.

GENERAL CIGAR

Financial Condition Improved

For some years I have held General Cigar Co. common stock and have always received satisfactory dividends on my investment. It rather appears to me, however, that in the past few years cigarettes have become more popular than cigars and I have been wondering if this is a desirable stock to keep for investment. Your opinion and a few facts in regard to the present condition of the company would be appreciated.—M. A. S., Scranton, Pa.

General Cigar Co. is one of the strongest in the cigar industry, its annual output exceeding 500,000,000 cigars. It owns or operates factories and warehouses and has jobbing and retail branches in various cities throughout the United States and in Hawaii and Cuba. It sells its well known brands both wholesale and retail.

The company has shown a consistent

earning power over a long period of years and has an unbroken dividend record on the common stock since 1909. In 1920 it reported the largest earnings in its history, 15.13% on the common stock as again 12.65% in 1919, and 7.24% in 1918. For the year 1921, 7.12% was earned. All things considered this was not a bad showing, for in a period of depression, cigar smoking is likely to drop off somewhat, smokers taking to a cheaper form of tobacco.

The balance sheet as of Dec. 31, 1921, makes a very good showing, working capital amounting to $14,051,651. Bills payable which a year ago stood at $5,000,000 had been reduced to $1,250,000 and inventories reduced from $15,186,480 to $11,088,000.

Capitalization consists of $5,000,000 7% preferred cumulative stock, $4,420,000 7% debenture preferred and $18,104,000 common par $100. There is no funded debt. In view of the fact that the dividend was earned in 1921 and the strong financial condition, the dividend would appear to be fairly secure for the time being at least. We are inclined to agree with you that cigarettes are growing faster in popularity than cigars and we would be inclined to prefer a cigarette manufacturing company for permanent investment. A suggestion for a switch is Tobacco Products common paying $6 per share and selling around 59. In 1921 Tobacco Products earned approximately $8 a share on its stock. It is one of the largest manufacturers of cigarettes.

BORDEN CO.

A Good Record

I have been considering several unlisted securities for investment purposes. I, as a rule, prefer unlisted stocks as I am not interested in current fluctuations and have been able to pick out many bargains in this class of security. Of course, there are lots of bargains no doubt in stocks listed on the New York Stock Exchange, but my experience has been that someone else finds it out before I do, and I do not get in at the bargain price. Would greatly appreciate a few facts in regard to Bordens Condensed Milk selling around 97 and paying 8%.—A. L. S., White Plains, N. Y.

Borden Co. has shown a splendid record of earnings over a long period and has undoubtedly a highly efficient organization. For twenty years this company has paid without a break 8% per annum on the common stock and extra dividends from time to time. For the year 1920 the company reported a surplus after dividends on the common stock of $630,181, as compared with a surplus after dividends of $2,095,923 in 1919. This drop in earnings was largely accounted for by the drop in price of condensed milk of which the company had a large stock on hand. The report for the year 1921 has not yet been issued but a very good report cannot be expected as the company undoubtedly had to take further inventory losses.

The balance sheet of the company as of Dec. 31, 1920, showed a working capital of about $11,000,000 as compared with a total capitalization of $7,500,000 6% cumulative preferred stock and $21,368,100 common stock.

This company manufactures in 37 large plants in various sections of the United States condensed and evaporated milk, including the well known "Eagle Brand." It also manufactures malted milk, milk chocolate and confectionery. The Borden's Farm Products Co., all of whose common stock and $3,500,000 preferred is owned by the Borden Co., is engaged in the distribution of raw, pasteurized and certified milk and cream and owns and operates a large number of factories and bottling works throughout the eastern and central western states.

In spite of the fact that the 1921 report is likely to be a bad one, we regard the stock at present levels as an attractive semi-speculative investment for the long pull, based on the excellent past record of the company and a satisfactory outlook.

RULES OF THE INQUIRY DEPARTMENT

Inquiries and opinions as to intrinsic value, earning power, and other facts and statistics about securities, will be answered free of charge subject to the following provisions:

1. Those who send in inquiries must be regular subscribers—not newsstand buyers.

2. All inquiries should be brief, with name and address legibly written or typed. Such sheets should not contain any reference to changes of address, remittances, complaints, etc., as these are handled by separate departments. The latter should be by separate letter.

3. Stamped addressed reply envelopes should be enclosed to avoid mistakes.

4. A reasonable number of inquiries will be answered for each person during the term of a subscription. We reserve the right to reject inquiries from any subscriber who is imposing on the facilities thus provided.

5. Subscribers are free to make inquiries by prepaid telegram. Upon request we will reply either by mail or by wire collect. There is no extra charge for this service.

6. We do not give speculative advice covering purchases for "turns" or short selling, through this Department. Our opinions are based on investment values. Subscribers interested in trading should apply for descriptive booklet regarding "The Trend Letter Trading Service."

7. Unless otherwise requested, we answer all inquiries BY MAIL. The inquiries in these pages are a few SAMPLES from the hundreds received. Our relationship with, and the business of, our subscribers is mutually confidential.

BUTLER BROS.

Deficit for 1921

I would appreciate your opinion in regard to the outlook for the stock of Butler Bros. I purchased this stock for investment some time ago and it is now considerably lower. Would advise holding or taking my loss?—G. K. F., Chicago, Ill.

Butler Bros. for the year 1921 reported a net loss of $3,605,207, including $1,522,236 operating loss and $1,882,971 inventory depreciation. In the annual report it is stated that the entire loss for the year occurred prior to Sept. 1, subsequent net earnings showing substantial excess over dividend requirements. Bank borrowings of $10,000,000 were paid off by June 1 and subsequent borrowings of $2,000,000 by Jan. 1.

The balance sheet as of Dec. 31, 1921, shows that inventories were reduced from $22,300,000 to $12,700,000. Working capital is about $25,000,000. Capitalization of the company consists of $22,011,960 common (par $20).

For the year 1920 the company reported net profits of $747,524, after charging off about $7,500,000 for inventory depreciation and loss on goods sold in the last quarter of that year. These losses are all behind the company now and inventories are marked down to rock bottom prices. For a long period of years this company has been showing excellent earnings and as it has a well established business there would appear to be no good reason why it should not do well in the future. The losses incurred in the past two years were not the fault of the management as from the nature of this company's business it is obliged to carry large inventories in order to be able to supply its customers without delay.

The company sells merchandise at wholesale to merchants only. It handles dry goods, furnishing goods, clothing, hats and caps, notions, drug sundries, books and stationery, hardware, tinware, cutlery, furniture, pictures, etc. In view of its excellent financial condition and improved business the stock looks attractive as a semi-speculative investment.

PAIGE-DETROIT

Held Its Own in 1921

As a reader of your valuable magazine I have failed to see anything recently in its columns in regard to the Paige-Detroit Motor Car Co. As I am the holder of some of the common shares selling at 13, I would appreciate your opinion of this security and a little information in regard to the company's earnings and financial condition.—T. F. A., Flint, Mich.

For the year ended Dec. 31, 1921, Paige-Detroit reported operating profits before taxes of $804,800, as compared with $1,420,000 in 1920. Total sales in 1921 were $15,114,000, as against $26,860,000 in 1920. In view of the general depression in 1921, this, in our opinion, should be regarded as a fairly satisfactory showing, much better relatively than many other automobile companies were able to make.

At the end of 1920 the company was borrowing $4,291,000 at the banks, but during 1921 these bank loans were largely reduced and we understand that the company is now in comfortable financial condition.

Capitalization consists of $2,872,800, 7% cumulative preferred stock, par $100, and $2,000,000 common, par value $10. The company has a working capital of about $2,000,000.

While the common stock of one of the smaller automobile companies, such as this, must be regarded as highly speculative, it is not without possibilities. Everything depends on how efficient the management proves itself to be in meeting the severe competition that now prevails. Up to the present time the management, it appears to us, has done very well indeed as it succeeded in coming through a very trying period without loss. In the past few years the car has been growing in popularity and if this pace can be kept stockholders may ultimately be well rewarded. If you can afford to accept the risk involved it might be advisable to hold your stock as the outlook is for better earnings this year.

(*Continued on page* 710)

Building Your Future Income

Against the Day of Reckoning!

ARE YOU PREPARING?

You have just started in to earn a living.

You know, by now, what earning a living means. You realize that it is a steady, incessant, day-in and day-out grind.

You realize how much energy and endurance this working for a living takes. You can understand why elderly men, who have lost their vigor and stamina, can't stand up under it. You can see why, when these elderly men have to go job-hunting, the best jobs they can get are jobs as watchmen and doormen, and the like.

You have gotten past the age when you laughed at these unfortunates. Even the little experience you have had has taught you to pity them.

BUT WHAT ARE YOU DOING TO POSITIVELY ASSURE YOURSELF THAT, AT THEIR AGE, OTHER YOUNG MEN WILL NOT BE PITYING YOU?

* * * *

1,700,000,000 OTHERS LIKE YOU!

Don't think that you will be different from anybody else. You are a normal human being, with two legs, two arms, two eyes and the average amount of brains. According to the latest census, there are one billion seven hundred million other people in the world who are similarly equipped. You are going to have the same difficulties, by-and-large, as they have; you are going to have the same opportunities—but no more. There has been, is, and will be no Guardian Angel especially interested in you.

What these vast numbers of people find the most difficult thing in the world is the business of earning something more than a bare "living." What only a miserably small minority succeed in doing is to set apart, *and set apart properly*, amounts of money that will tide them over when their earning powers cease. The majority spend the latter years of their lives as dependents, and die as dependents. Only a few of the minority are independent to the last.

IF YOU WANT TO BE ONE OF THAT FORTUNATE MINORITY, YOU WILL HAVE TO START NOW, AND START IN EARNEST!

* * * *

THE PLAN OF ACTION

Set your house in order! Draw up the budget for MYSELF, INC. Find out just where you stand. Leave nothing out.

Determine how much more you can save out of your salary than you are saving now. Don't be afraid to cut out the expenses that keep you in your present social set. If you leave that set, it is the set that will lose, not you. Don't hesitate at any reasonable economy. Remember what James J. Hill said: If you can't manage to save money, you might just as well quit!

Study the field of investments. Determine whether your income and your character are adapted to savings banks, or common stocks. Debate what investment field you are suited to with the same care, the same thought that you used in selecting a vocation.

Finally, having decided how much you can save, how much you can invest and what you are going to invest in, make what twenty years from today you will count the most important decision of your life: That you will persistently and conscientiously adhere to your program. For in your willingness to make that decision, and your ability to abide by it, lies the one secret of your success in the years ahead.

Do these things; and when your day of reckoning comes, you will be able to pay. Ignore them — and you may make your start too late.

This is no sermon.

This is a straight-from-the-shoulder talk.

It is written for young men of intelligence, who have not yet taken time to stop and think.

Making Savers of Spenders

Memories of the Liberty Loan Campaigns— The Investor's Part in Bringing Prosperity

By JOHN MUIR

The editor of the Building Your Future Income Department, who was himself auctioned off at the Hotel Manhattan in the course of a Liberty Loan campaign, believes that the many readers of the department will recall interesting experiences of their own after reading Mr. Muir's humorous and pointed anecdotes in the following article. It is worthy of emphasis that Mr. Muir finds many persistent savers made out of the millions of temporary savers who invested in Liberty Loans during the war, and that he sees an era of prosperity developing with this as its chief source.

THE meaning of the word Thrift is Frugality; success and advance in the acquisition of property.

Cheap European Thrift is saving in chests or stockings, despised by Americans and looked upon as mere hoarding. American Thrift is depositing in savings banks and getting a fair interest rate.

Modern American Thrift is where brains and money are brought into play, which is intelligent, which invests and saves and then compounds, and which in its adaptation to the Partial Payment Plan. points the easy and perfected way to secure a competence.

The New Thrift

The new Thrift was developed by the war. It was stimulated and enforced by Patriotism. It built up unconsciously a new Thrift class, bigger, broader, more potential and more ambitious than any in existence in any country.

In less than six months in 1917, bondholders in this country jumped from less than half a million to more than 12,000,000 and later reached 20,000,000.

Bonds

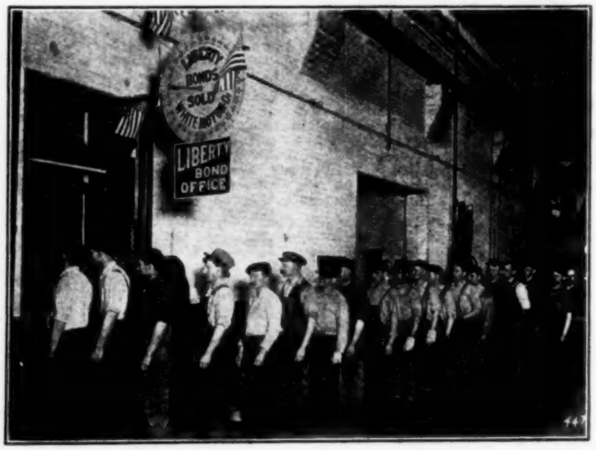
Before the war, fully 90% of our people usually spent as quickly as possible every cent that they earned. The majority had not known what a bond was. But the Government, when Liberty Bonds were contemplated, pondered well the Baby Bond and the Partial Payment Plan of paying for same.

The Treasury Department called for the man who had adopted the Partial Payment Plan in Wall Street, studied its adaptation to Liberty Bonds, and appointed him Chairman of the Liberty Loan Baby Bond Committee, and speeded it along. Through it was created that army of small—many involuntary—investors who, if not able to carry the bond, became for the Government an invaluable distributor.

At that time, flotation of bonds for the country's need was so vigorously pushed that many bought who could not do more than make the first payment and who accepted and charged their first payment loss as a subscription to Patriotism. But they soon saw that the *interest* was something worth having and the population as a whole, for the first time, realized the benefits of *saving* a part of their earnings and thus getting their savings to work for them while they themselves slept.

A new Thrift was created, intelligent, cumulative, safe — modern American Thrift.

In this purchase and distribution of bonds by millions of the people including millions of bonds retained by them, the great loans were completely successful, the Government attained its goal, and millions had learned to know what is the exact nature of a bond.



LEST WE FORGET!
A scene in one of the Liberty Bond Campaigns. During the war more than twenty million individuals invested in these issues

Human Nature vs. Finance

In acquiring this information, hundreds of humorous incidents occurred during the heat of the campaign.

One day, a woman appeared in the bond department of a leading institution downtown and asked for a quotation.

"98.30," said the bond man.

"I'll take it," said the lady, handing over the bond.

The salesman scrutinized it incredulously.

"Where are the coupons?" he asked.

Every coupon had been cut off as clean as a whistle.

"Oh, you surely don't want those," she said plaintively. "I'm losing two dollars. It seems to me I should be at least allowed to keep the coupons for souvenirs.

Another woman came in with her bond, pointed to the first coupon and asked, "When have I to pay for that?"

Thanks to the department store habit. the female was franker than the male.

"Oh, no," said a matron with a decisive air, "I don't care so much about myself, but two of the bonds are presents. I could not think of accepting a defective article"—and she pointed to the missing coupon—"I must have perfect goods."

Many a man, on being given his bond, looked suspicious, received guardedly a careful explanation as to the mathematical correctness of Government procedure and then went away to check it up to his own satisfaction through some neutral source.

"Please Collect My Debts"

Even the Partial Payment Plan as put into effect by the big corporations brought in its little quota of trouble. One of the employes of a leading corporation who had subscribed for a $100 bond came into a well-known down-town office.

"I want you to get my $100 bond from the corporation." he said.

He then explained, with infinite detail, that he had just lost his position and was desirous of having the corporation accept a total of $60 in small amounts owed him by other employes of the corporation as the balance which. with $40 he had paid, made up the total $100 which was needed to give him incontestable ownership.

"Baby Bonds for Christmas"

The process of changing and attempting to change millions of American spenders into millions of American savers brought out many a vein of humor. The head of a downtown mercantile establishment which employs 400 or 500 people spent several weeks in deciding on his course of action for Christmas. For more than fifteen years, this house had always made a cash presentation just before the holiday season. The proprietor liked the old-fashioned Christmas spirit, but his conscience was caught by the admonitions as to the need of war time Thrift. Finally he decided on giving Baby Bonds for Christmas.

The day they were distributed, the head of another firm which specializes in small denomination bonds was talking to the head of the Liberty Loan department.

"There seemed to be an unusual rush of sellers in Liberty Bonds just before three o'clock," said the bond man "we

had a rush of a couple of hundred all at once."

The head of the firm was interested and asked to have the reason ascertained. Upon investigation and questioning some other sellers who appeared early in the morning, the answer came: "We were given hundred dollar bonds. We're selling to buy Christmas presents."

Thrift Trend

The trend towards thrift which is apparent throughout the United States today and, particularly the way in which people are seeking to discriminate against what they consider unsafe and highly speculative ventures, is a tribute to the fundamental character of Americans. The money which is going into new purchases of the various Liberty issues at present prices indicates the demand for safe national investments. This is particularly interesting because so many people were disappointed by the decline in the price of these Government bonds which they believe to be safe not only as to ultimate payment of principal but security against any wide fluctuation in price in the meantime.

Buying Sound Securities

It is therefore not with any tiresome emphasis on the small investment phase of finance that it may be said that the steady picking up of sound stocks and bonds in the past months, taken in conjunction with other factors in the general situation, foreshadows what looks to be a coming sound era of progress. It will be slower, better, broader and more enduring than any of our bull markets of the war period. It will have the underlying strength of permanent investment.

Seek then that way your welfare to uplift,
The safe and gainful plan of Modern Thrift.

Points for Income Builders

What the Requirements Are for Success in Investing

IN the last issue, this department outlined the success requirements of an active trader in securities. There is another investment field of equal importance.

Long Pull Trading

Trading "for the long pull," or with the idea of sticking to a commitment for a long period of time, is frequently a source of greater ultimate profits than so-called active trading."

Success in this field requires particular aptitude in unearthing "values."

Hence, the long pull trader should have one qualification above all others: That is, training and ability in analyzing industrial fields and financial results.

Coupled with this qualification, there must be the same patience and courage that is necessary in active trading; more of the former perhaps, than of the latter.

Where Long Pull Profits Are Found

Long pull profits are not found in securities which have merely had temporary setbacks or which are selling, for the moment, out of line with other issues of like sort. These are opportunities for the active trader.

Long pull profits are found in securities of companies developing a new field, or marketing important new products, and the like. They are found in the shares of big consolidations, frequently, at the time of consolidation—for example, in U. S. Steel, which Theodore Roosevelt is said to have purchased in the corporation's infancy at $8 a share; or Corn Products, which once sold as low as $7.

A Favorite Field

A favorite field for long-pull investing is in low-priced stocks. It might be difficult to prove that, over the same period of time a group of low-priced stocks would move farther, proportionately, than a group of higher-priced issues; but there is no question that the man with a given sum can obtain greater diversification and, therefore, greater profit-possibilities in low-priced issues.

One who invests in such low-priced issues, however, needs to be especially capable of picking and choosing. There are innumerable mining stocks, not a few oil stocks and an occasional industrial issue that have been selling in various markets at between $1 and $3 a share for years. In quarters that don't want individual investors to profit from their operations, issues of this sort are invariably recommended.

Capital Needed

The long-pull investor needs more capital than his more active brethren, if he is going to operate on a worth-while scale. To save himself interest charges, he is more or less bound to purchase his securities outright. It might be claimed that he needs at least three times as much as the margin-trader.

There is also a handicap which he will encounter. That is, the necessity of tying up his surpluses for a comparatively lengthy period.

A Suggestion

A student of values was asked by this department what issue he would recommend for the long-pull. Said he:

"It depends on whether you insist upon a stated income. If you don't, I can see nothing more promising than the Texas & Pacific Land Trust Certificates, now selling around $400. These certificates represent trusteed lands in the Southwest which were separated from the Texas & Pacific Railroad by a Supreme Court ruling. The equity behind these certificates is constantly increasing by reason of the sale, piece by piece, and at a good price, of the acreage held. So far, I believe this equity must have increased by $500 a share. The certificates are, furthermore, being slowly retired through purchase in the open market. For those who can afford to devote a certain sum of money to a non-income bearing security, I believe these certificates to be an ideal investment medium. Over a period they have advanced from around $200 to their present level."

One of the best examples this department remembers of the possibilities that lie in long-pull trading was the opportunity to obtain U. S. Government bonds at sacrifice levels during the war. It was apparent to all students of the investment market that the low price then prevailing was, in every way, a reflection of general investment conditions, and not at all representative of the bonds' true worth. Scarcely a single reference was made to them except as the "best investment on earth." All the long-pull investor needed was capital and patience. Those that had these essentials, and bought the bonds, have something like 16-points profit today.

THE CYNIC'S REVERY

By H. G. T.

I often wonder when alone
If what I call a friend
Is always just the person
On whom I can depend.

The man that shouts the loudest
And sings my praises high
Is often one who only does
Whenever I am nigh.

But when the ship of Trouble comes,
Well loaded down with freight,
And I call out for helping hands,
They all arrive too late.

One day I turned and asked my wife,
"How many friends have we?"
Before she gave me her reply
I told her there were three.

The first one is my loyal spouse
For none could ever be
More thoughtful or devoted
Than she has been to me.

Another friend is just Myself,
Who sticks to me in truth,
More closely than Naomi did
When chasing after Ruth.

The other is quite comical
His face is painted green,
He sleeps in my deposit box,
And rests there quite serene.

Each April and October,
Through rainy days and fair,
He offers me his coupons
With smile so debonair.

Then when I want the things of Earth,
Fine houses and Rolls-Royce,
These little slips of paper
To me seem very choice.

So after many years of thought,
I find my friends three,
My loyal wife, my Libertys,
And your humble servant—Me.

L'Envoi

And when we face our waiting heirs
To leave this earthly scene,
There's nothing like the Libertys,
To keep our memories green.

"At Any Time and For Any Cause"

An Insurance Plan That Provides Double Protection Against Contingencies

By **FLORENCE PROVOST CLARENDON**

AN important feature now included in the policies of many large life insurance companies is the additional Accidental Death Benefit, which guarantees that if the insured dies as the result of an accident double the face amount of the policy will be paid.

The uncertainty of life is a recognized fact, but we fail to fully realize how slight is our hold on existence until we are startled into awakened consciousness by some tragedy of sudden death.

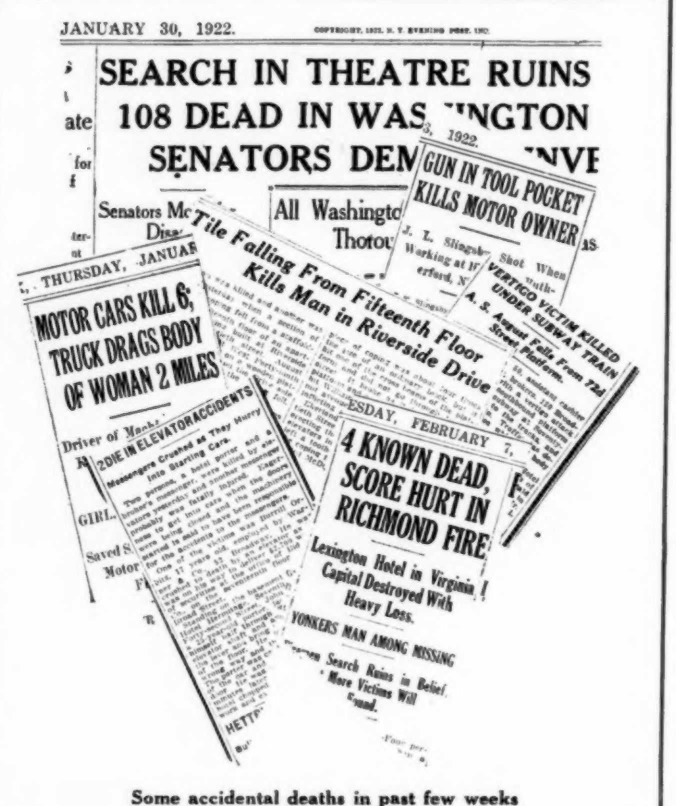
The disastrous loss of life in Washington which recently occurred, as the result of the roof collapsing and crashing through a moving picture theatre, quickened the latent thought that "in the midst of life we are in death." Men and women in the prime of life, litterateurs and statesmen, fathers and mothers of young families died in the Washington disaster, their active lives of service snuffed out like half-burned candles. The calamity was due to an unforeseen, undreamed-of accident.

Fate No Respecter of Persons

Fate is no respecter of persons, and the man whose death is caused by accident is sometimes—nay, all too frequently—cut off in early manhood or in robust middle age. It is likely that he had a family dependent upon him, and the economic loss alone caused by his untimely death is a serious one. The Accidental Death Benefit helps to meet this issue by the payment of an additional sum equal to the face amount of the policy carried. Thus, the man who carries a $10,000 policy which includes the Accidental Death Benefit leaves twice that amount, or $20,000 life insurance, in event of his accidental death.

Causes of Auto Accidents

It is reported by one life insurance company that during the year 1921 they paid claims on 147 lives insured under policies which included the Accidental Death Benefit. Automobiles caused 44 of these deaths; 17 deaths resulted from encounters with foot-pads, highwaymen, and burglars; slips and falls on the street, at home, in stores and elsewhere caused 13 deaths; 10 were drowned; 5 burned; 4 were killed by coming in contact with moving machinery; 4 were killed in street railway accidents, and 5 were killed when struck by objects falling from buildings. The number of steam railway employees who were accidentally killed was 25, and miscellaneous accidents were responsible for the death of 20 more.



Some accidental deaths in past few weeks

In the case of automobile accidents, it was said by one of the officers of the National Safety Council that **reckless walking** comes in for a share of the blame in such cases, and a large part of the responsibility for accidents of this class is due to the lack of caution and disregard of traffic regulations on the part of pedestrians. The number of persons killed in automobile accidents in the United States in 1921 is estimated by the National Safety Council as between 12,000 and 15,000—probably nearer the higher figure. The death rate from automobile accidents alone is great enough to create an interest in the advantages of the Accidental Death Benefit, for should death come so swiftly and unexpectedly that no time is given a man "to put his house in order," the insured under such a policy will at least be enabled to leave added protection for his family which will relieve the financial strain caused by the accidental death of the bread-winner in the heyday of health and manhood.

Reckless automobile driving, strikes which increase the hazard of traveling on public carriers through careless or unskilled service, and social unrest which tends to increase the risks of every-day life, all make the additional protection offered by the Accidental Death Benefit a particularly interesting provision in the life insurance policy of today.

Protection Cost Slight

The additional premium required for the inclusion of this Benefit is slight, due of course to the fact that death by accident is proportionately small in relation to the principal causes. which are roughly, as follows:

	Deaths per 1,000
Heart Disease	190
Other circulatory diseases—Apoplexy, etc.	230
Tuberculosis	120
Pneumonia and other respiratory diseases	140
Cancer	110
Fevers—Typhoid, etc.	40
ACCIDENTS	80
Diabetes	30
Senility and Miscellaneous	60

This distribution of principal causes of death, taken from the experience of certain life insurance companies, is dependent upon the average age of the policyholder, and this on the age of the business; but for all practical purposes in illustration it gives a fair estimate.

Some idea of the cost on some of the principal plans of life insurance to include this benefit is given herewith:

At age 35 on a Policy for $10,000

Extra premium on Ordinary Life plan to include Accident Benefit $12.50

Extra premium on 20 Payment Life plan to include Accident Benefit 17.80

Extra premium on 20 Year Endowment plan to include Accident Benefit 12.50

In acquiring the extra protection in

(*Continued on page* 716)

Things Small Investors Will Find Worth Knowing

An Outline of Some of the Chief Characteristics of a Standard Investment Field

By **FRED W. RICHART**

BUILDING & LOAN investments are ideal for the wage earner and small business man in the community where these associations flourish. Among the virtues which they possess, the following are of the utmost importance to the small investor.

1. Monthly instalments of investment.
2. Good to high rate of return.
3. Good loan value at banks.
4. Withdrawal value of investment with interest.

Many people of moderate circumstances would never make an investment were they not able to do so by making small payments at stated periods. Having decided just how much is to be invested weekly or monthly, the most successful method is to set aside the investment first, then pay out for personal and family needs and pleasures the balance of the pay envelope. People who try this plan find that they can "get by" with it, while the reverse method seldom makes good. There is no surer way to save than to make one's plan such that he *must*. A purchase contract once entered into is a stimulus to meet its terms and makes the task easier.

Small Investor Needs High Returns

There is no one who needs a high rate of return more than the small investor. On the other hand, there is probably no one who averages up so badly as he does. Lack of information and judgment in the fundamentals of investment put him at a disadvantage and there is no concerted effort on the part of banks to educate people in these matters. The reliable financial magazines, even, often fail in this because they are too expensive for the masses, too technical and probably they cannot afford to continually use space for primary pupils, while their clients are largely above the High School grade. The Building & Loan does offer a real opportunity to the small investor because it has sound security back of it, although some of its loans may have a rather narrow margin, and the return is always good and in new communities often high.

Most Building & Loan associations permit the withdrawal of the entire sum paid in, with interest, at 4% to 6%, on demand or upon definite time notice. This is a feature not available in the purchase of other forms of securities. In case of a contract to purchase ordinary bonds or stocks its terms must be carried to completion.

Building & Loan associations flourish best in new and growing communities where the banks are unable to meet the demands for money and where the united savings of many add materially to the sum total of usual bank depositors. It furnishes money for the material building of the community which, if spent would largely go for cheap luxuries. They are a very material asset to a community not only in teaching thrift but in the accumulation of property. While the loans are often rather larger than conservative banking might permit, yet the moral risk is good and material losses in sensibly managed associations are rather rare.

The Element of Risk

If the business of the community is diversified, or is a well-managed essential industry, there is little danger of losses and this danger decreases as the community increases in population and in the accumulation of savings and property. In order to spread the risk, some associations make loans in surrounding towns and communities, others make farm as well as home loans, and many Building & Loan investors subscribe for shares in several associations located in different communities. This is good business judgment, but the opportunity is not always available.

The usefulness of an association to the investors who support it lies in its ability to absorb the steady streams of funds that are offered and to profitably use them. An association which spreads its activities to a half-dozen neighboring towns has a great advantage, in this respect, over one which strictly confines itself to local loans.

A person making a business of this sort of investment should try to arrange for the maturity of a definite number of shares per year. Then, when a cycle is established, it will be self-supporting.

A good many investors have this sort of a cycle established. The greatest value to this would come with depleted earning power, giving a regular income. A sort of pension, or *living insurance*. We have Life Insurance worked out to the nth degree; why not Living Insurance?

State examination and regulation serve as a check on the officials to a certain degree and insure against too numerous delinquencies in payments.

As a rule, new associations pay but a nominal salary to the secretary and no remuneration to the trustees or directors. As the business grows, a secretary may be and usually is paid for full time service and the directors may be paid for their attendance to regular meetings. Yearly reports are available for the information of stockholders, so they may keep informed as to the progress and stability of the association.

Where B. & L. Earnings Originate

Many may wonder how such earnings as 10 or 12% may be made. It amounts to a high-grade interest charge to the borrower and is secured by making a monthly premium charge in addition to the regular interest charge. For instance, on a $100 loan, there may be a charge of 50-cents per month for interest and 40-cents per month premium. They get away with it because:

1. The banks can't make such long-time loans.
2. The banks want a larger margin of security.
3. In growing communities, they can't supply the demand.
4. The borrower can make small monthly payments.

Building & Loan associations are of great influence to better citizenship be-

(*Continued on page 722*)

Hints From Home Builders

Two Letters from Our Readers

LA GRANGE, Ill.

HOME BUILDING DEPARTMENT.

Sir: I was much interested in the article under "What it costs to build a home" published in the last number of THE MAGAZINE OF WALL STREET, but believe the article might influence some of your readers to attempt more than they can handle. The article as I take it is intended for a city apartment renter.

As you know it is usually customary to allow one month's rent at least each year for apartment interior decorations, whereas this item must be included under "Carrying Charges" by the man who owns a home. Two other important items which must be included are depreciation perhaps 2%, and repairs not less than the above for decorations. Assuming the rent given in the article as $37.50, which of course is not to be found for good present day apartments, the three additional items would add from $10 to $15 to the $37.50 monthly charges for the home-builder. Another item not to be overlooked is the amount of assessments for street or town improvements, either unpaid or prospective.

I can state from experience, however that "Carrying Charges" of a small home are less than present city apartment rents.—H. G. R.

WINSTON-SALEM, N. C.

HOME BUILDING DEPARTMENT.

Sir: Would it not be wise to recommend and place among the expenses incurred in owning a home, life insurance of at least a sufficient amount to cover the mortgage? Statistics show that one out of every ten men dies between the ages of 30 and 40. This would prevent a large number of the homes being sold because the widow cannot pay the mortgage.—J. B. D.

Public Utilities

The Outlook for Public Utility Rate Cuts

Recent Decisions Affecting Several of the Larger Companies Have Focused Attention on the Utilities—Are Rate Reductions in Order?

By **JAMES N. PAUL**

THE recent adjustment of rates ordered to be put into effect by several of the larger public utility corporations has brought about discussion as to possibilities of a wide-spread movement throughout this country for lower rates. To say off-hand that rates generally must be reduced does not seem justified on a general survey of the situation. Obviously, rates in different sections of the country must be governed by operating costs and conditions in the different localities. Costs of producing gas and electricity or furnishing transportation in San Francisco naturally vary from those in Chicago or New York.

Operators of large public utility properties point out that simply because an organization in one year showed a fair margin over interest charges on funded debt or after preferred dividends, in all fairness does not indicate that immediately rates should be reduced. They point to four lean years during which betterments were neglected and reserves kept down to a minimum. But that early in 1921 witnessed the peak of operating costs and that rates for a number of public utility companies will now be subject to revision downward seems certain.

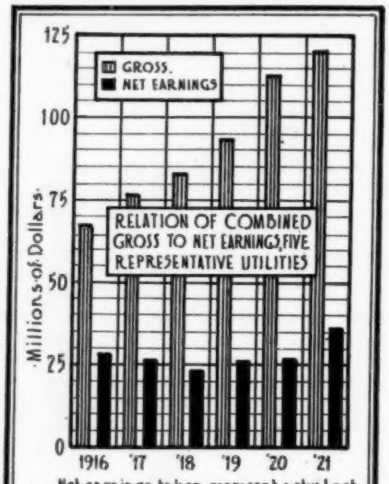
Operators of public utility properties generally contend that even though operating costs now show considerable decline from war-time levels, they are nevertheless entitled to receive some consideration for the period when earnings were abnormally poor, when many of them were showing annual deficits and furnishing service at a loss. This phase of the matter is now being reviewed officially by the Illinois Commerce Commission in the application of the Peoples Gas Light & Coke Co. of Chicago.

When the State rate-making body last year confirmed a rate of $1.15 a thousand cubic feet of gas, it was stated in the opinion that the company was entitled to a return of 7½% annually on a valuation of properties of $85,000,000. The company is now contending that it is entitled to make up in the next few years, in addition to the 7½%, a sum sufficient to reimburse it for the lean years when the return was not earned.

Roughly speaking, public utilities can be divided into four classes: the traction companies, power producing and distributing companies, gas producing companies and telephone and telegraph companies.

The Traction Companies

Of the four classes, the traction companies would seem to be the last to be affected by rate reductions. Electric



Net earnings taken represent actual net after operating expenses and taxes.

railways throughout the country were slower to procure rate advances than other types of utilities. While operating conditions are now vastly better than they were a year ago, many of them are not yet out of the woods.

The chief reason for the difficulty encountered by traction companies in procuring rate advances is found in the fact that it was the general practice in many communities to make the street railway a target for political agitators. This found ready response to the man in the street who would cheerfully pay a slight increase in his electric or gas bill at the end of the month. But the mere mention of an increase in the rate of carfare invariably brought forth a wail of protest which political agitators took advantage of.

Labor is by far the largest item of expense with the traction company. It is estimated to constitute more than 60% of total operating expense. While labor is now abundant and more efficient than it was a short while ago, its cost has not receded in the same ratio as commodities entering into operating costs of other utilities. Robert I. Todd, president of the American Electric Railway Association, reviewing the situation at the beginning of the current year stated that average wages paid on eighty-five traction lines in this country were still 94.10% higher than those of 1914. With five cents recognized generally as a basic fare, even the most optimistic do not hope that in the next five years labor costs will get back to where they were in 1914.

The Power Companies

The power generating companies appear to be in the best position of any of the public utilities in regard to benefiting from lower operating costs. Power companies can be divided into two classes, those which generate electric energy by water power and those generating it by steam power. Operating expenses of the hydro-electric companies are confined chiefly to maintenance of transmission lines and to small labor charges required to operate power generating stations. Rates of this class of utility are generally lower than those of the steam companies. Chief item of expense with the steam generating companies is in the coal pile. The cost of coal to one of the larger companies which operates in several communities in the middle west can be considered indicative of what prices are generally throughout the country, taking into account that freight rates are a considerable item. This company's average cost of coal to plants scattered throughout the middle west is from $2 to $2.25 in the spot market at present, with contracts made earlier slightly higher. Company paid as high as $7 and $8 a ton for coal on contract a little more than a year ago. Labor and costs of making additions and extensions to meet increased demand are still high and far above pre-war levels.

The Gas Companies

The gas companies are very much in the same position as the power generating companies. Their principal item of production is found in the gas and oil bills. Figures from the files of the public utility mentioned in the preceding paragraph show that gas coal is now available at slightly less than $3 a ton, while cost of gas oil at the Oklahoma producing fields is from 2½ to 3 cents a gallon compared with peak prices of 10 and 11 cents a little more than a year ago. Here again, the freight item enters into the question so that actual cost of oil delivered does not show the drastic decline indicated by the cost figures at the mine or at the oil field.

Peoples Gas Light & Coke Co. has given some detailed figures relative to costs of making gas which prove interesting. It shows that peak of production costs was reached in 1920. The accompanying table shows only the actual cost of producing gas per thousand cubic feet and does not take into account items

(*Continued on page 736*)

Detroit Edison Co.

A Highly Efficient Public Utility

Operating in a Territory Which Is Rapidly Expanding —Made Good Showing Last Year Despite Depression

By F. J. WILLIAMS

THE rapid growth of a public utility property to meet the increasing needs of a section of this country which during the past ten years has gone ahead by leaps and bounds is exemplified by Detroit Edison Co. Rapid expansion of the company during the past ten years both from the viewpoint of service furnished and earnings has perhaps few parallels among public utility companies of this country.

As the name implies, the company furnishes electric energy to Detroit and surrounding territory and its chief problem has been to have its facilities for service keep pace with the growing demand for power. The company also furnishes steam in the city of Detroit though only approximately 8% of its revenue is derived from this source.

The condition of the automobile and allied industries naturally has a direct bearing on its earnings though other industries in and about Detroit are large and important and sufficiently diversified to insure stability of earnings over a period of years. Despite the fact that 1921 was a poor year generally for practically all industries, the company showed gross earnings in excess of $23,000,000, the largest on record. A proportionate increase was also carried down to net, and earnings were equal to $10 a share on the capital stock.

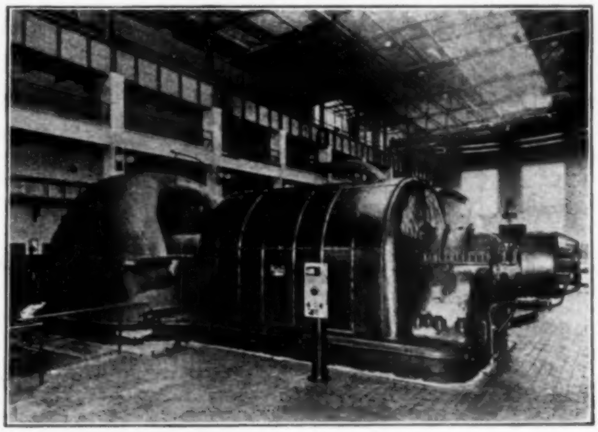
Distribution of its electric output appears well balanced as approximately 27% is residential lighting, 21% commercial lighting and 34% power requirements for industrial uses. Balance of gross is derived from sales to electric railways and other public service corporations, sales of steam, a small amount of gas sales and miscellaneous revenue.

During a period in which public utilities were confronted with conditions perhaps the worst in their histories mainly on account of high operating costs, Detroit Edison Co. with the exception of 1920 was able to fully earn dividend requirements with a margin to spare after ample depreciation charge-offs.

Rates for Service

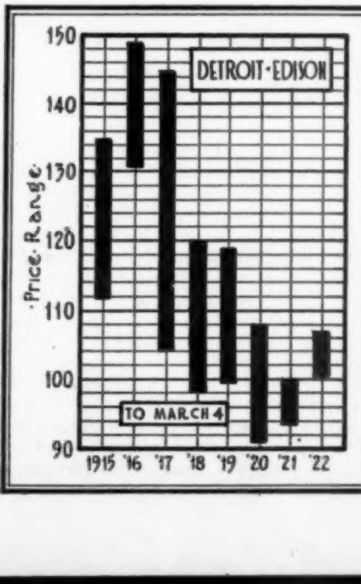
In 1922 the company should be able to improve on the showing of 1921 as industrial conditions in Detroit are now better than they were a year ago and are improving. There has recently been an agitation under the leadership of Mayor Couzens for a reduction in rates and President Alex Dow, in January, stated that if business continued to get better, the company might in the latter part of this year reduce rates on some classes of service voluntarily, but no general rate revision downward could be expected.

There appears to be little likelihood of rate reductions in the immediate future as the company for a long time deferred applications for rate increases hoping that operating conditions would improve. Rates were increased in July, 1920, with the consent of the various municipalities served. In the last annual report President Dow stated that these rate increases were much lower than would have been justified by the costs at that time and increased rates anticipated the lower costs then coming into evidence.



New Type Steam Turbine

The 45,000 K. W. Curtis Steam Turbine Installed at Detroit Edison Company



History and Capitalization

Organized in 1903, the company had an original capitalization of $9,000,000, of which $4,000,000 was bonds and $5,000,000 stock. Gross business during 1904, the first year of its existence, amounted to $685,000. As of December 31, 1921, total capitalization was $92,311,500. This consisted of funded debt of $64,298,800 and $28,012,700 capital stock, par value $100. There is no preferred stock outstanding.

The company has the exclusive right to furnish electric light and power in Detroit and also serves the cities of Highland Park, Ann Arbor, Ypsilanti, Mount Clemens, Port Huron, Howell, Marine City, St. Clair, Monroe, River Rouge, Royal Oak and Hamtramck, besides fifty other communities and rural areas surrounding Detroit. The company also conducts a steam heating business within the city. It is interesting to note that in 1921 the company took over the sixteenth municipal steam heating plant and in each instance the proposal for private operation was made by the local authorities.

Management of the company is considered excellent. The North American Co. owns $2,565,000 of the capital stock of the company.

Rapid Growth

The accompanying table giving gross and net since 1915 shows that in six years volume of business in dollars increased three-fold. Property account in 1915 was carried at $36,966,830 and had increased to $79,471,255 in 1920, and to $86,182,841 at the close of 1921. The effect of these heavy investments in plant should be reflected in future earnings as it is practically certain that the territory in and about Detroit will continue to expand and develop an increasing demand for power. The net increase in plant account in 1921 alone was $6,691,586, which included completion of the Conners Creek plant and partial completion of the new Marysville plant.

The company's two large steam plants in Detroit have a generating capacity of 303,000 kilowatts of which 180,000 kilowatts is installed at the Conners Creek plant. There is sufficient room there for the installation of another plant of equal

(Continued on page 729)

Answers to Inquiries

On Public Utilities

PUGET SOUND POWER & LIGHT

Satisfactory Earnings

For some years I have been an investor in the securities of the Puget Sound Power & Light Co. as I have believed in the future possibilities of the company. I hold some of the bonds as well as common and preferred stock. I have under consideration increasing my holding in the preferred stock and would appreciate your opinion in regard to same and a few facts in regard to the company.—R. T. L., San Francisco, Cal.

Puget Sound Power & Light Co. through ownership or control does the greater part of the commercial electric lighting and power business in the Puget Sound district, including the cities of Seattle, Tacoma, Everett, and Bellingham. The company serves an estimated population of about 600,000. Its hydro-electric power plants have a present capacity of 88,000 horse power and an ultimate capacity development much larger. In addition it owns steam stations with a capacity of 34,400 horse power. Street and interurban railroads aggregate 286 miles of single track. The more important franchises still have ten to twenty years to run.

In April, 1919, the City of Seattle delivered to the company $15,000,000 of 5% utility bonds in payment for the company's street railway system in Seattle.

Capitalization of the company consists of $43,535,000 funded debt, $14,793,000 6% cumulative preferred and $20,112,000 common stock, par value $100. In June, 1921, the dividend on the preferred stock was increased from 3% per annum to 6% per annum. Back dividends on the preferred stock at the present time total 23½%.

Like most public utility companies this company was adversely affected during the period of inflation because of high operating costs. In 1920 and 1921, however, the company made a good showing earning 7.6% on the common in the former year and 7.3% in the latter. Earnings on the preferred stock in 1920 were 16.34% and in 1921 16.0%.

As the company is in fairly good financial condition there would appear to be an excellent chance of some of the back dividends being paid off on the preferred stock in the current year. At the present prices of around 97 the preferred looks like an attractive business man's investment. The common stock at 37 is more speculative and would appear high enough for the time being in view of the back dividends on the preferred. For the long pull it has good possibilities. The bonds are entitled to a good rating in view of the long and successful record of the company.

SOUTHWESTERN BELL TELEPHONE

Bonds High Grade

I am interested in Southwestern Bell Telephone and would like your opinion as to the company's outlook. What is the capitalization?—M. H. W., Monticello, Ark.

Southwestern Bell Telephone Co. operates in Missouri, Kansas, Oklahoma, Arkansas and Texas. Funded debt amounts to $26,163,150; preferred stock a little over $2,000,000 and common stock $60,000,000, all the latter being owned by American Telephone & Telegraph Co. We regard all of its bonds as very high-grade and take it that you are interested in the preferred stock which we consider is a good business man's speculative investment, as earnings of the company are on a basis more than ample to take care of dividend requirements and in view of the improved outlook for all public utility corporations, it is logical to expect that the company will be able to show better returns in the near future than in the past.

NORTH AMERICAN CO.

Companies Controlled

Kindly advise me regarding North American Co. I understand this is a holding company and would like to know what companies are controlled. Do your regard the stock as a desirable speculation? How are earnings?—R. S., New York City.

North American Co. controls the following subsidiaries through stock ownership: The Wisconsin Edison Company, Union Electric Light & Power Company, St. Louis County Gas Company, United Railway Company of St. Louis, West Kentucky Coal Company.

The Wisconsin Edison Co. controls through stock ownership the following companies: The Milwaukee Electric Railway & Light Company, Milwaukee Light & Traction Company, Wisconsin Gas & Electric Company, North Milwaukee Light & Power Co.

There is outstanding $14,896,650 6% cumulative preferred stock and $17,130,000 of common stock, both having a par value of $50 a share. Operations for 1921 disclosed approximately $7 earned on the common stock. In view of the improved outlook for all utility companies, we consider the common stock of this company, although it has already had a considerable advance, as a good speculation.

GENERAL GAS & ELECTRIC

Bonds Speculative

Please advise me on General Gas & Electric 15 year 7% bonds. Should I hold?—W. L. W., Pittsburgh, Pa.

General Gas & Electric Co. is a holding Co. controlling extensive power systems in Pennsylvania and New Jersey and Hydro Electric Power System in Vermont. Its 15-year income 7% bonds may possess speculative possibilities of enhancement owing to the improved situation confronting all public utility corporations, but by no means can they be classed as a conservative investment. Five-year average income of the company showed that it did not take in sufficient to pay interest on all its bonded debt. If you have any large loss in your commitment, in view of the improved outlook for economical operations, we would not suggest that you dispose of the bonds, as they may probably sell at a higher level, but it must be borne in mind they can only be considered as a speculation.

INTERBORO-METROPOLITAN 4½s

Speculative Possibilities

I am at a loss at present about some Interboro-Metropolitan 4½s of 1956 bought as follows: Bonds at 14½ and certificates at 12. These were purchased on your advice and I had a good profit in them, but did not take it. If you still regard the outlook favorable I can afford to hold them for a long pull. Please let me have your advice.—R. D. P., Pittsburgh, Pa.

Interboro Metropolitan 4½s and the certificates reacted because of an unfavorable valuation report that was put out by the commission and demand for increased service. Interboro Rapid Transit Co., however, is now earning its fixed charges and it may not have to accept this valuation. We believe that the Interboro Metropolitan bonds have good speculative possibilities and would advise you to maintain your position if you can afford to take a certain amount of risk.

COLUMBIA GAS & ELECTRIC

A Switch Suggested

I am holding 70 shares of Columbia Gas & Electric bought at 64½. In view of the recent rise in this stock to 79, do you advise a switch to some other stock or would you hold for a further advance? If you advise changing kindly mention some other stock that is in a class with Columbia Gas & Electric which does not appear to have discounted future possibilities. Do you favor North American for such a switch?—L. E. G., Elkton, Md.

We are very favorably impressed with the outlook for Columbia Gas and we believe the stock has good possibilities of going higher. However, it might be to your advantage to switch into some stock which has not moved up so much and which has also a good outlook. A suggestion is Philadelphia Company, selling around 35 and paying $3 per share per annum. This will give you an excellent return on your money and the stock at those levels appears to be relatively low. Would prefer this to North American at present prices.

STANDARD GAS & ELECTRIC

Reporting Good Earnings

I would like your best opinion regarding Standard Gas & Electric common and preferred stock. I own outright 100 shares of common at an average price of 13 and 30 shares of the preferred at an average of 40. Why is the common stock selling as low as 15, when earnings are running close to 8% on the common? Do you consider there is any chance for a dividend on the common this year? Do you consider Shaffer Oil & Refining an asset or a liability to the company?—D. A. C., Pipestone, Minn.

In our opinion the outlook for Standard Gas & Electric securities is very bright and we believe that the preferred stock has a good chance of gradually working up to around its par value of $50.

One reason that the common stock is selling as low as it is, is because it is not thought likely that there will be any

(*Continued on page 731*)

Petroleum

The Trend of Oil Prices

Production at Very High Point—The Outlook for Consumption—The Present Price Situation

By **HARVEY COLLINS**

PETROLEUM statistics continue to show very heavy production and imports with a consequent addition to the supply above ground. For the month of January domestic production of petroleum, according to the United States Geological Survey statistics, amounted to 43,326,400 barrels, a daily average of 1,397,626 barrels, as compared with a total in December of 41,957,000 or 1,353,452 barrels daily and in January, 1921, of 37,959,000 or 1,224,484 barrels daily. Imports in January, nearly all from Mexico, showed a small decrease, amounting to 13,096,718 barrels against 13,753,288 barrels in December and 13,192,899 barrels a year previous.

The estimated consumption of oil, based on the domestic production and excess of imports over exports plus the decrease or minus the increase in stocks, in January amounted to 45,882,000 barrels, a daily average of 1,480,065 barrels, as compared with 47,785,000 barrels in December and 49,444,000 barrels in January, 1921. The result was an increase in stocks during the month from 183,890,000 barrels to 195,444,000 barrels, which compared with 124,256,000 barrels a year previous.

The Mexia Field

The continued large imports from Mexico are maintained by the heavy production which is still coming from the Cerro Azul-Toteco field in the Southern Mexican fields, which has recently produced close to 500,000 barrels daily. The increased production in the United States has been coming from the Mid-Continent region in which several large gusher pools have been developed. The Mexia field in Central Texas, has been the biggest factor in increasing production. Last October this field was producing less than a thousand barrels a day; in December it was producing about 85,000 barrels daily and according to the latest figures of the American Petroleum Institute the daily production at the beginning of March was 135,000 barrels. At this rate the Mexia field has added over 4,000,000 barrels monthly to the country's petroleum supply and is today furnishing nearly one-tenth of the total output.

Another field which has increased its production greatly has been the Haynesville field of Louisiana. At the beginning of March this field was producing over 71,000 barrels a day, compared with 39,000 barrels at the beginning of the year. This field only started to produce last May. The El Dorado field of Arkansas, producing around 36,000 barrels daily, has been another big development of the past year, although this field is now producing less than it was some months ago. In Oklahoma the Osage field (leased from the Osage Indians) has been a source of increasing production, largely as a result of the development of the Burbank pool in which record high prices for leases have recently been established. The Osage field is now producing about 73,000 barrels daily, being the largest source of supply in the Oklahoma-Kansas fields. A continuance of domestic production at the present rate would seem to be dependent upon the discovery of new fields as the present gusher production of Mexia and Haynesville is not likely to be maintained. The production in Mexico also seems to be dependent upon the opening up of new fields as it is not expected that the Cerro Azul-Toteco production can be held up many months at anything like the present rate.

Outlook for Consumption

The outlook for consumption is favorable. Last year the consumption of petroleum was affected less than any other commodity, the consumption as reported in Government statistics declining less than 1%. There is no doubt that industrial depression caused a lessened demand for the use of oil but this was practically offset by the continued increase in gasoline demand and the replacement of coal by oil for fuel purposes. Should business improve at all there should be a considerable increase in the demand for oil. The gasoline business this year should be very

(*Continued on page* 717)

THE OIL SITUATION AT A GLANCE

	Domestic Production of Petroleum			Imports of Crude Oil		Exports of Crude Oil		Stocks		Estimated Consumption Domestic and Imported Petroleum		
	Total (Thousands of Barrels)	Daily Average (Barrels)	Estimated Value at Wells (Million Dollars)	Total (Thousands of Barrels)	Daily Average (Barrels)	Total (Thousands of Barrels)	Daily Average (Barrels)	Held Last Day of Month (Thousands of Barrels)	Number Days Supply Based on Daily Consumption	Total (Thousands of Barrels)	Daily Average (Barrels)	Number of Producing Oil Wells Completed
1920, Total ..	443,402	1,211,480	1,360.0	106,175	290,096	8,757	22,927	123,291	80.0	530,474	1,449,383	24,222
1921, Jan. ...	37,959	1,224,484	109.8	13,193	425,577	743	23,979	124,256	77.9	49,444	1,594,968	1,832
" Feb. ...	35,366	1,263,071	67.4	11,384	406,580	794	28,368	130,884	93.2	39,328	1,404,571	1,574
" Mar. ..	40,905	1,319,516	72.2	12,303	396,875	750	24,188	138,181	94.9	45,161	1,456,806	1,845
" Apr. ...	40,040	1,334,667	69.8	10,104	336,797	748	24,922	145,016	102.2	42,561	1,418,700	1,224
" May ...	41,985	1,354,355	64.8	9,148	295,078	874	28,179	153,814	115.0	41,461	1,337,452	1,405
" June ...	40,354	1,345,133	51.4	10,255	341,842	586	19,538	161,048	112.9	42,789	1,426,300	1,470
" July ...	40,252	1,298,452	45.4	8,047	259,575	538	17,365	167,352	125.1	41,457	1,337,323	1,157
" Aug. ..	40,894	1,319,161	44.3	3,352	108,136	885	28,542	168,190	122.6	42,523	1,371,710	952
" Sept. ..	36,508	1,216,933	38.8	9,139	304,615	881	29,352	171,361	123.6	41,595	1,386,500	788
" Oct. ...	35,539	1,146,420	51.1	11,635	375,336	747	24,085	172,607	118.4	45,181	1,457,452	752
" Nov. ...	37,880	1,262,667	64.6	12,994	433,125	869	28,967	176,490	114.8	46,122	1,537,400	903
" Dec. ...	41,957	1,353,452	73.7	13,753	443,654	525	16,949	183,890	119.3	47,785	1,541,452	1,110
1921, Total ..	469,639	1,286,682	753.3	125,307	343,306	8,940	24,435	183,890	119.3	525,407	1,439,471	15,012
1922, Jan. ...	43,326	1,397,626	....	13,096	422,474	720	23,231	195,444	132.0	45,882	1,480,065	1,151

Why T X X Declined

Property at One Time Over-Valued But Is Selling at a Fair Price Today

By C. N. LINKROUM

THE uncertain nature of the oil producing business was never better illustrated than in the case of the Texas Pacific Coal & Oil Company. After operating as a coal company in the State of Texas since 1888 the company in 1915 discovered oil in commercial quantities on its Texas lands and in 1917 opened up the famous Ranger field in North Texas. This field quickly became one of the greatest oil fields in the country and the Texas Pacific Coal & Oil company with leases and fee property covering over 300,000 acres in this district almost over-night became one of the country's leading oil producing companies.

An Able Management

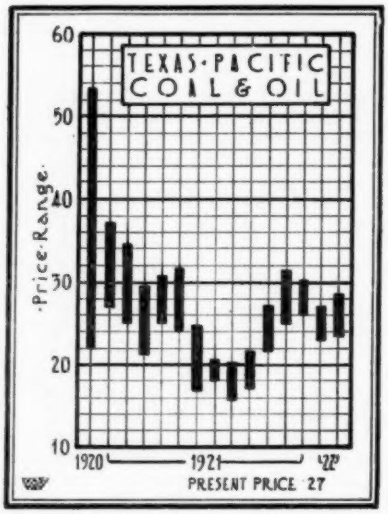
To the outsider the discovery of a large oil field by a prospecting company would seem to be the end of the rainbow; actually it is only the beginning of a period of anxiety and labor. Careless or unfortunate handling of a company's affairs at such a time may result in ruin instead of success. The Texas Pacific Company was fortunate in having as its officers and management men of ability and vision. Instead of attempting to retain entire control of the gigantic properties which the company held, it was decided to enter into contracts with some of the leading oil producing and purchasing companies including Prairie Oil & Gas Company and Ohio Oil Company (Standard Oil), the Sun Company and the Sinclair Company.

Under these contracts the Texas Pacific Company received a large cash consideration in return for a substantial interest in certain of its leases and the contracting companies agreed to drill certain wells free of cost to the Texas Pacific Company and thereafter to operate and develop certain leases jointly. These contracts were especially desirable in view of the fact that the extensive leases held by Texas Pacific called for a great amount of drilling as soon as oil was discovered in the vicinity. It would have been almost impossible for any one company to develop these holdings and furthermore, the operation with other companies divided the risk. In the light of subsequent developments these contracts were very favorable for the Texas Pacific Company.

In the first year after the discovery of the Ranger field, 1918, the company's oil production amounted to 2,427,704 barrels, and with operations in full swing, in 1919 the company's production reached a total of 8,478,236 barrels, or an average of over 23,000 barrels daily. This average for the year should not be confused with the large initial flush production which some companies report. The Texas Pacific Coal & Oil Company brought in many large gushers similar to those now being reported from the Mexia field of Central Texas but, of course, the initial high daily output soon fell off. The average of over 23,000 barrels a day for the year was a very large production and was exceeded by only a few of the biggest companies.

Operations

On May 1, 1919 when the company filed a report of its operations with the New York Stock Exchange, the number of oil wells which the company individually owned was 401 and the number on joint operated leases was 338, making a total of 739 oil wells. In addition to this, the company had 70 gas wells and reported 344 wells as dry or abandoned, with over 200 wells drilling at that time. As a result of the large production developed and the prospects of increasing production on extensive acreage which as yet remained untouched, the company's stock soared to around $2,000 per share of $100 par value.



As the outstanding stock at that time amounted to $6,000,000 the total market value was around $120,000,000. During 1919 it was reported from time to time that negotiations were in progress for the sale or merger of the company with other large oil interests.

It was reported aat one time and generally credited as being true that Standard Oil Company of New Jersey offered over $100,000,000 for the property. The controlling interests were apparently not anxious to dispose of the property probably being influenced in their attitude largely by the income tax laws which would have required that the major portion of the profits involved be turned over to the Federal Government.

Disappointing Developments

It was reported at one time and generally credited as being true that developments were made for the property that developments of a disappointing character began to take place. The producing sands in the Ranger district were located at a considerable depth, usually over 3,000 feet. The cost of drilling these wells ranged generally from $40,000 to $100,000 per well. The existence of the Texas deep sands had long been known to geologists and the principal reason that earlier efforts had not been made on a substantial scale to open up this source of supply was on account of the expense involved. Heretofore the price of oil had not been high enough to warrant the large expenditures involved in drilling, but the high price of oil prevailing in the war period and after, combined with the large production of the wells made it profitable to develop the deep sands despite the high cost of drilling. The source of production in the Ranger district was not actually a sand but a limestone formation. The oil in this formation gathered in crevices and large gusher wells were the result but the big production was not long maintained. Had the formation been a porous sandstone the initial production might not have been as large but the production would have been more stable and would have been longer-lived. The greater portion of the Texas Pacific wells soon dropped off from thousands and hundreds to a few barrels per day and drilling operations developed many dry holes.

Instead of continuing to show a continued phenomenal increase such as was expected, production began to decline and has never again reached the high level established in 1919. The stock reflected the changed status of the company and declined from a high level of around $2,000 (equal to $200 for the new stock of $10 par value) to a low of 15¼ in August for the new stock in August, 1921.

The trouble with Texas Pacific in the last two years has not been a result of bad management or financial abuses. As previously stated the company has had the benefit of an excellent management. The President of the company at the beginning of the big oil development was Edgar L. Marston of New York. Mr. Marston was a very wealthy man long before the Texas Pacific development took place. He took his stockholders into his confidence as soon as oil was discovered on the Texas Pacific properties and kept them advised of further developments. Later Mr. J. Roby Penn was selected to become Vice-President and then President of the company in charge of actual development operations. Mr. Penn was thoroughly acquainted with the oil producing business. He had served for sev-

(Continued on page 730)

White Oil Corporation

The New White Oil

Significance of Acquisition of United Central Oil—Should Stockholders Support Expansion?

THE White Oil Corporation has embarked on a program of development and expansion which, carried to completion, will make the company one of the important self-contained oil organizations.

The first step has been the acquisition of the United Central Oil Corporation.

The Consolidation

Consolidation with United Central will add about 1,200 barrels daily, settled production, to the present settled production of the White Oil Corporation. The consolidated companies will start out with a settled production of about 4,000 barrels.

The acreage to be operated and controlled by White Oil is scattered over a number of fields. Substantial production, practically all of it settled, is owned by the company in the following:

Homer (La.).
Eldorado (Ark.).
Cushing, Bristol, Kellysville and Slick (Okla.).
Teter, Sellers (Kan.).
Burkburnett (Texas).
Kentucky.
Frankel (Stephens Co., Texas, near Caddo).
Hull (Tex.).
Humble (Tex.).
Goose Creek (Tex.).
West Columbia (Tex.).
Orange.

A development of particular importance has been the bringing in of a 5,000 barrel well, one-half mile north of an 80-acre lease owned by the White Oil Corporation in Township 15, North 8 East, Creek County, Oklahoma.

The Gulf Coast Oil Co., in which White Oil owns a 48% interest, has just completed a 5,000-barrel well in Orange, Tex.

White Oil Corporation's well on the Farmer tract, in Township 15, North 9 East, Creek County, is down to the sand and will be drilled in during the week of this writing. This well offsets a Prairie Oil & Gas well recently brought in on the adjoining property with an initial flow of in excess of 1,000 barrels daily. The White lease here comprises 120 acres.

Financing

In taking over the United Central Oil, White sells 100,000 shares. These shares have been underwritten at $9, giving the company $900,000 additional working capital.

In addition, White Oil receives $100,000 cash, $200,000 accounts and notes receivable, oil supplies in the treasury of the United Central Oil Corporation, and also about $125,000 material and supplies. Against this, White Oil assumes current liabilities of about $100,000.

In other words, the acquisition of United Central gives White Oil about $360,000 quick assets, after the deduction of current liabilities.

New Interests in Company

The acquisition of United Central has been accompanied by some significant changes in the personnel of the White Oil executive and directing staff. At a recent special meeting, held for the purpose, P. J. White, former president, was elected Chairman of the Board of the consolidated companies, and W. B. Emmert, formerly president of the United Central, was made president of the new White Oil.

The operating headquarters of the consolidation will be located at Houston. Texas, and President Emmert, a man of many years' practical oil experience, will have his headquarters there.

At the same meeting, five new members were added to the board of the White Oil Corporation, representing new interests to be associated with the consolidation. They are: W. B. Emmert, S. R. Bertron, Murray W. Dodge, E. J. Connette, George Bullock.

Messrs. Bertron and Dodge are associated with the banking house of Bertron Griscom Co. E. J. Connette and George Bullock are associated with the United Gas & Electric Corporation.

For purposes of record, it may be noted here that Messrs. Bertron, Connette and Emmert have been added to the Executive Committee; while Murray W. Dodge was added to membership in the Finance Committee.

The New White Oil

The new White Oil will be a well-rounded organization, with substantial facilities for production, refining and marketing of oil.

It has a very efficient refinery, with 5,000 barrels capacity, located on the Houston Ship Channel, Houston Texas. The location gives the refinery a distinct advantage over inland refineries, which can only reach the tank-car market. The refinery, incidentally, has been in operation for more than a year, and at a profit since the oil market became stabilized. It manufactures a high-grade lubricating oil. Several tank-steamer lots have been shipped to Europe, and arrangements are being made for shipments to New York. Among the important shipments from the refinery have been twenty-seven 25-car trains delivered, under contract, to the Standard Oil Co. of Indiana.

White Oil is also developing its marketing facilities on a substantial scale. In this connection, a statement by Chairman White will be found of interest:

"Both the capacity and the efficiency of the Gulf Coast Refinery have been materially improved; likewise our marketing organization has been strengthened, and facilities have been extended to more effectively cover both home and foreign markets. The refining branch of the corporation's activities is of fundamental importance, and it is the purpose to further extend and improve refinery operations at the Gulf Coast in order properly to share in the world's markets for refined products."

CONSOLIDATED BALANCE SHEET

WHITE OIL CORPORATION—UNITED CENTRAL OIL CORPORATION

Balance Sheet based on the combined Assets and Liabilities of the White Oil Corporation and the United Central Oil Corporation and their subsidiaries as of December 31, 1921, and giving effect to the proposed financing.

ASSETS		
Fixed Properties:		
Oil Lands and Leases; Lands, Buildings, Machinery, Equipment, etc.		$42,062,779
Investments		633,730
Working Assets—Materials and Supplies		313,722
Current Assets:		
Cash	$1,099,022	
Accounts Receivable—Less Reserves	482,640	
Notes Receivable	70,635	
Leasehold Receivable	292,897	
Oils, Refinery Supplies, etc., on hand (cost or market, whichever is lower)	610,291	
Miscellaneous	12,084	
Total Current Assets		2,567,569
Prepayments and Deferred Charges		71,452
		$45,649,312
LIABILITIES		
Capital Stock:		
8% Preferred—150,000 shares—par value, $10.00		$1,500,000
Common Stock—951,289 shares—no par value		25,521,913
Purchase Money Obligations		1,755,648
Bank Loans to be extended to February 1, 1923		2,275,000
Current Liabilities:		
Accounts Payable	$531,457	
Notes Payable	295,346	
Accruals	83,539	
Total Current Liabilities		910,372
Minority Interest in Capital Account Subsidiary Company		3,025
Surplus		13,683,357
		$45,649,312

Conclusion

The development in White Oil's affairs outlined above are of importance to the stockholders of the company. The consolidated balance sheet, as

(*Continued on page 728*)

A Logical Switch

Holders of AGWI Shares Might Do Well to Transfer Investment Into Anglo-American Oil

By H. M. HAMILTON

THE investor whose holdings show him a loss need not feel himself beaten. All operators encounter losses from time to time. Being beaten consists in letting your losses discourage you; not trying to extricate yourself from the predicament.

Some of the heaviest losses now outstanding against the trading element are in the independent oil stocks. Two years ago, this group was by far the most active and popular in the market. The precipitate crash that followed the boom caught many investors unawares. Today, a large section of the investing public is still staying with these stocks, uncertain what to do.

One of the most popular stocks during that historic boom was the Atlantic Gulf & West Indies Steamship Co. Here was a security that had all the fascination of a big speculative opportunity, coupled with solid investment merit.

AGWI's Career

AGWI had been formed in 1908 as a consolidation of a shipping group that had been sold under foreclosure. In the period prior to the war, the new concern made fair progress. With the war boom in shipping, however, the company's success was astounding. As a single evidence of this fact, it may be noted that earnings on the common stock, which had not been sufficient to warrant dividends before the war, soared to over $59 a share in 1917. At the end of 1919, the company had a net working capital of over $145 per share of common.

The next phase in AGWI's affairs was particularly well described by W. M. Morton in THE MAGAZINE in March, 1921:

"Several methods of utilization of these excess funds were possible. They might have been used to retire the greater part of the debt of $24,716,000 which was carried none too easily in some pre-war years. They might have served to retire the $13,743,000 preferred stocks. They might have been invested in sound securities affording the company a steady return. They might have been distributed to the stockholders as a handsome special dividend. None of these courses was adopted. Oil being the bonanza industry of the day, and Mexico the field of greatest production per well, it had been decided to purchase property there and get into the oil business. A substantial investment was made during the year 1919, so that the working capital mentioned was already reduced below what it would otherwise have been."

It was this expansion which caught the fancy of investors and made the stock one of the most popular on the market. A glance at the record shows the effect on the common stock, which advanced to over $192 per share.

Today

AGWI today presents a very different picture from the AGWI of two years ago. The efforts of the management are now being expended toward extricating the company from the financial mix-up which followed the collapse of its oil boom. Like other Mexican producers, it is contending with salt water at its wells. It has a tanker fleet constructed at peak prices—or somewhere around $200 a ton—which could probably be duplicated today for about $60 a ton. It has assumed special financial obligations which have proven an embarrassing load. Thus, on October last, the company extended over $1,500,000 of bank loans for six months. It ended the year 1920 with a deficit. Earnings in 1921, although believed to have been comparatively good, are hardly likely to warrant resumption of dividends on either the preferred or common shares.

ANGLO'S EARNINGS

	Gross	Surplus
1912	£ 872,242	£ 864,962
1913	1,002,707	982,933
1914	654,312	597,610
1915	732,776	595,062
1916	1,122,979	604,891
1917	1,396,730	803,842
1918	1,647,907	1,039,711
1919	1,940,878	1,201,679
1920	2,931,886	1,265,158

From the standpoint of the security holders, the company must be regarded as in a speculative position. Its future results depend very largely upon its ability to re-establish a sound financial position, which is likely to involve heavy write-offs on various phases of its oil investment. Thereafter, the company will again be primarily dependent upon its shipping business for its stable income, with its oil department's possibilities an uncertain element for some time to come.

Bettering a Position

The holders of Atlantic Gulf & West Indies shares, in these circumstances, might well consider bettering their position by transferring their principal into a more solid security. They could probably not do much better than switch from AGWI, both preferred and common, into one of the oldest and most substantial oil concerns in the world, a company of proven earning ability, whose shares are income-bearing and which is entering what promises to be a prosperous period. The reference is to Anglo-American oil.

Anglo-American is listed among the former subsidiaries of Standard Oil. It represents Standard Oil in the United Kingdom, being one of the largest marketing units in its territory. It owns and controls a fleet of tanks, also wharves, storage tanks, etc., in the principal English cities.

The company's field is being substantially broadened. Its affiliations have permitted the company to expand into fields that were more or less closed to other nationals, and this opportunity has been availed of. Among other things, the company is locating in the Near East in what may prove productive territory. Not the least interesting of its new ventures is a drilling campaign being conducted through a subsidiary in the province of Pinar del Rio, Cuba, where the company owns some 130,000 acres.

Profits from Exchange

The fluctuations in exchange have reacted to Anglo's benefit. An interesting chapter, in this connection, is that relating to the company's recent financing. In 1920, the company sold, in New York, $15,000,000 5-year 7½s. These notes were carried in the balance sheet at £4,237,288, or at the rate of $3.54 Sterling exchange. The redemption of these notes, with exchange rates at a higher figure, will constitute a source of profit to the company. In one quarter it has been estimated that, were the notes paid off with exchanges at $4, the company would make a profit of $1,950,000. Exchange at this writing is on a $4.40 basis, or better, which would mean a profit of $3,650,000 to Anglo on redemption of its notes.

The company's participation in the oil market has also been a source of profit. It is the largest single importer of oils in the British market. Some of its heaviest buying was done during the period of depression in the foreign exchange field.

Anglo-American is developing its marketing business on a substantial scale. An interesting move in this connection has been the establishment of more efficient distributing stations. Gasoline filling stations, supplanting the old-fashioned "5-gallon tin" method, are springing up in all the important cities the company serves.

Strong Finances

As might be imagined, the company's financial position is very strong. A distinctly conservative management has

(*Continued on page* 730)

Trade Tendencies

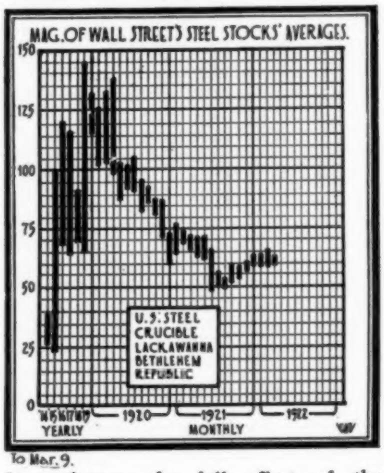
Business Conditions Slowly Improving

Spring Trade Begins to Assume Proportions —Heavier Buying in Agricultural Districts

STEEL

Production Increasing

THE steel industry continues to occupy the center of interest. Undoubtedly a good deal of pessimism has been caused by the succession of unfavorable 1921 reports now being issued by the leading companies. Still, from a security viewpoint, this has been all discounted in the comparatively low quotations now prevailing whereas the full effect of the promising conditions facing the industry have not as yet been reflected in security values, at least so far as many of the leading steel companies are concerned.



To Mar. 9.

Within the past month there has been an unmistakable upward trend in conditions in the steel industry. Demand has improved and the output shows a good gain. The leading interest is operating at about 60% capacity and the independents at a somewhat lower rate—about 50%.

The price situation still engages the interest of consumers. It is generally felt that the lowest level in many steel products has not yet been reached but that the time is not far distant when the entire steel price situation will be stabilized. This should have a good effect on demand as the uncertainty with regard to prices has been one of the chief causes of the reluctance of important consumers in entering the market.

The pig iron situation has improved and prices are now quoted at higher levels than for several months. An important feature in this market is that manufacturers who have been absent from the market for a considerable period are now pressing forward their demands, requesting early delivery. This presages an active period in pig iron.

The railroads continue among the most active steel buyers. There is also a growing demand from building sources, in which respect structural steel reflects the improved situation. Other lines of steel such as tinplate, sheets and light rails are in better demand.

Conditions during the next few weeks should exert a stabilizing effect on the iron and steel industries. In that period, demand should show a regular increase until by the end of Spring the steel industry as a whole should be operating at a higher rate of capacity than that experienced in the past year.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1921 High	1921 Low	1922 Last*
Steel (1)	$43.50	$29.00	$28.00
Pig Iron (2)	30.00	18.00	18.00
Copper (3)	0.13⅜	0.11	0.13
Petroleum (4)	6.10	2.25	3.25
Coal (5)	3.00	1.80	1.90
Cotton (6)	0.21¾	0.11	0.18½
Wheat (7)	2.04	1.08	1.46
Corn (8)	0.70¼	0.44	0.63
Hogs (9)	0.11½	0.06⅜	0.10
Steers (10)	0.11½	0.08¼	0.09½
Coffee (11)	0.09¼	0.05⅜	0.09¼
Rubber (12)	0.23	0.14	0.15½
Wool (13)	0.48	0.43	0.46
Tobacco (14)	0.25	0.15	0.20
Sugar (15)	0.06¼	0.03⅞	0.03¾
Sugar (16)	0.08½	0.05¼	0.05½
Paper (17)	0.06½	0.03¾	0.03½

*March 9.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—Steel Corporation now operating at about 60% capacity; independents at 50%. Railroads buying heavily. Prices more nearly stabilized. Immediate outlook satisfactory.

METALS—More copper buying in evidence and prices harden. Uplift expected in foreign demand. Other metals, including zinc and lead, strong and prices higher.

OIL—Gasolene continues in great demand and is the strongest feature of the market. Other refined products rather weak. Mexican imports on very large scale. Immediate outlook for prices uncertain but the broad trend is upward.

COAL—Production increases owing to threatened strike. Prices somewhat firmer. Broad outlook for coal is more favorable.

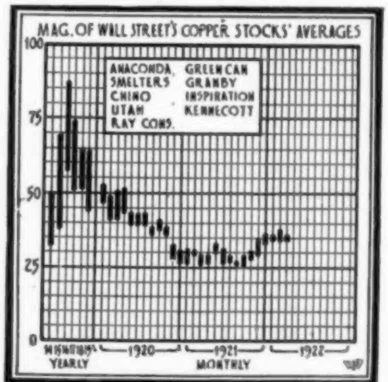
MACHINERY—Conditions still largely unsettled. Farm implements, in particular, are not in great demand. Competition between manufacturers. Prices still declining. Immediate outlook unsatisfactory though conditions should improve within a few months.

SUMMARY—Signs of expansion in trade and industry are now more numerous. Spring demand is in full swing and this is exerting a favorable influence on wholesale and jobbing trade. Retail trade will follow later. The advance in agricultural products has enlarged the purchasing power of the agricultural population. Indications are that production will generally rise during the next two or three months.

METALS

Outlook More Favorable

The surprising slump in copper which took place in February was due to overbuying on the part of the brass interests. The market as result of this and the decline in foreign demand became stagnant and prices reverted to about the lowest seen in the past few years.



To Mar. 9

Recently, however, there has been a change for the better. Sales are more numerous than for any time in the past three months and even the brass in-

(*Continued on page 723*)

Mining

Will There Be a Revival of the Gold Mining Industry?

Immediate Situation Unfavorable But the Future Offers Hope to Gold Producers

By C. S. HARTLEIGH

AMONG the most attractive mining investments or speculations, as the case may be, are the stocks of gold mining companies of proved worth. Even if gold has a variable purchasing power as economic conditions change, it has, and is likely to retain for an indefinite period, the great advantage of a fixed price. Therefore, the gold miner has the advantage of dealing with one less variable than have those who mine the other metals, and gold mining is sure to prosper as the costs of labor and supplies are reduced.

If it be admitted that gold mining is in a favored position as economic conditions improve, then it would be of interest to investigate the relative merits of the more popular gold mining shares. Aside from copper stocks, the New York Stock Exchange does not offer an imposing assortment of metal mining shares, and it is necessary to review the list of other exchanges in a search for the best gold mining stocks. The accompanying table presents data with regard to gold mining companies that have, with two exceptions, paid dividends in the past few years, and the sales during 1921 carry some suggestion as to the relative popularity of the shares.

Many listed gold mining shares, on which dividends have not been paid, are omitted from the table because their presentation would only serve to swell the number of more highly speculative issues, and it is apparent that the table contains enough of these already, even if many of them have paid dividends during the past few years. The first two on the list that have not paid dividends are included as examples of four-flushers with preliminary success.

Turnover

It will be observed that in the case of Cresson Gold shares, the year's turnover was 154 per cent. Some of the non-dividend payers were even more active. For example, 2,413,800 shares of Florence Goldfield changed hands, representing 230% of the outstanding capital stock; and 10,037,235 shares of Boston & Montana were sold, equivalent to 334% of the company's entire capitalization.

The material presented in the table is mostly of interest only from a speculative standpoint, for it lacks many facts that would be essential in making a transition from speculative to investment consideration. For example, a more searching analysis would involve the consideration of net profits over a period of years, dividend records since production was inaugurated, results of underground development for several consecutive years, ore reserves, and assured life of the mine at the normal rate of production. Such tests as these would quickly eliminate a majority of the stocks in our table, and we would find among the survivors such issues as Homestake and Hollinger which would be classified near the "investment" end of the scale, whereas Alaska Gold and Alaska-Juneau would be found trying to hang onto the "speculative" end.

Declining Production

A brief review of gold mining conditions in some of the chief gold-producing districts of the world will indicate that production in many important camps is on the decline. For example, the leading gold mines of the Transvaal, which have been producing over 45% of the world's supply of gold, are constantly working lower grade ore, and many of these properties would be forced to shut down in the absence of the premium which they have been receiving for their gold. High wages and high cost of supplies have been conspiring to keep many of these properties on the verge of a shut-down. Furthermore,

(*Continued on page 722*)

Gold Mining Stocks

Stock	Location of Property	Common Shares Out	Par Value	Last Dividend Date	Last Dividend Amount	Price Range 1921	Price Range 1922	Sales in 1921	% Turnover
NEW YORK STOCK EXCHANGE:									
Alaska Gold	Alaska	750,006	$10	....	....	1⅛- ¼	½- ¼	137,600	18.3
Alaska-Juneau	Alaska	1,400,000	10	....	....	1¾- ½	⅞- ⅝	231,600	16.5
Carson Hill	California	195,657	1	Jan., 1922, Q	$0.10	15½-11	15⅞-11	13,100	6.7
Dome Mines	Ontario	476,667	10	Jan., 1922, Q	0.25	21¾-10⅛	25 -18½	236,400	49.6
Homestake	S. Dakota	251,160	100	Feb., 1922, M	0.25	61 -49½	61¾-55	18,600	7.4
(b) McIntyre-Porcupine	Ontario	728,056	5	....	....	......	15½-14½	......	..
Rand Mines	S. Africa	(a) 60,000 2,125,995	.. 5s	Feb., 1922	(c) .96	26¾-18	22¼-19⅜	16,300	27.1
NEW YORK CURB:									
Cresson Gold	Colorado	1,220,000	1	Jan., 1922, Q	0.10	2⅞- 15/16	2 15/16- 2¾	1,881,500	154.0
Goldfield Cons.	Nevada	3,559,148	10	Dec., 1919	0.05	.11 -.08	.04 -.04	594,564	16.7
United Eastern	Arizona	1,363,000	1	Jan., 1922, Q	0.15	3 1/16- 2 1/16	2½- 1⅞	617,431	45.3
Yukon Gold	Yukon	3,500,000	5	Jan., 1918	0.025	1⅝- ¾	1¼- 1 1/16	111,423	3.2
Jim Butler	Nevada	2,000,000	1	Aug., 1918, S	0.07	.09 -.05	.06 -.05	433,300	21.6
MacNamara	Nevada	1,065,000	1	May, 1910	0.025	.30 -.04	.10 -.05	1,015,500	95.4
Tonopah Belmont	Nevada	1,500,000	1	Jan., 1922, Q	0.05	1 15/16-.90	1 11/16- 1 1/16	173,550	11.5
Tonopah Extension	Nevada	1,282,801	1	Jan. 1922, Q	0.05	1⅝- 1⅛	1⅝- 1 1/16	172,875	13.5
Tonopah Mining	Nevada	1,000,000	1	Oct., 1921, S	0.05	1¾- 1 1/16	1 15/16- 1 1/16	63,745	6.4
West End Cons.	Nevada	1,786,000	5	Dec., 1919, S	0.05	1¼-.65	.85 -.52	197,565	11.1
TORONTO:									
Hollinger	Ontario	4,920,000	5	Feb., 1922	0.05	7¾- 5⅞	9½- 7⅜	237,271	4.7
Lake Shore	Ontario	2,000,000	1	Nov., 1921, IR	0.02	1⅛- 1⅛	1.33-1.79	216,760	10.8
(b) McIntyre-Porcupine	Ontario	3,640,283	1	Jan., 1922, IR	0.05	2⅛- 1½	3⅛- 2⅛	486,161	13.4
Porcupine Crown	Ontario	2,000,000	1	July, 1917	0.03	.29 -.10	.27 -.25	463,308	23.2
COLORADO SPRINGS:									
Golden Cycle	Colorado	1,500,000	1	June, 1921, Q	0.02	.80¼-.53	.77 -.75	......	....
Portland	Colorado	3,000,000	1	Oct., 1920, Q	0.01	.63 -.33	.39 -.36	......	....
Vindicator	Colorado	1,500,000	1	Jan., 1920, Q	0.01	.39 -.17	.22 -.21	......	....
LOS ANGELES:									
Tom Reed	Arizona	909,555	1	Dec., 1919	0.02	.60 -.60	.65 -.65	......	....

(a) Of the 2,125,995 English shares, 150,000 are represented by 60,000 American shares, listed in the ratio of 2 American shares for 5 English shares. (b) Trading began on N. Y. Stock Exchange Jan. 9, 1922. Par changed from $1 to $5. (c) On American shares. Q—Quarterly. M—Monthly. S—Semi-annually. IR—Irregular.

Seneca Copper Co.

A Valuable Mining Property

Seneca Ready to Produce When Copper Market Improves—Why the Shares Declined in Price

By **JOHN M. MAXWELL**

THE situation in the copper industry generally has been slowly improving throughout recent months.

Incidents have occurred to cause occasional setbacks in demand and market price. Thus, the recent strike in Germany had a pronounced effect upon the foreign market. Also, recently after a period of substantial purchasing, a certain prominent group of copper consumers found themselves temporarily oversupplied, and were led to discontinue their buying for the time.

These incidents, however, have been looked upon as of only momentary significance. The main trend is upward. The copper surplus of which so much was said a year ago, has all but disappeared as a topic. The surplus has reached a more normal point than for several years. Under-purchasing, rather than excessive buying, has been the general rule as regards consumers.

Expectations are that somewhat of a shortage of the metal will develop in the not far distant future, prolonged by the length of time—probably two or three months—required for the producing companies to get back onto a production basis, even after decision has been made to resume. The shortage is counted on to cause a substantial price advance. As supplies then come on the market, a stabilized price, at a level satisfactory to all interests, is expected.

This outlook accounts for the belief that the better-class copper producing companies have important things in store.

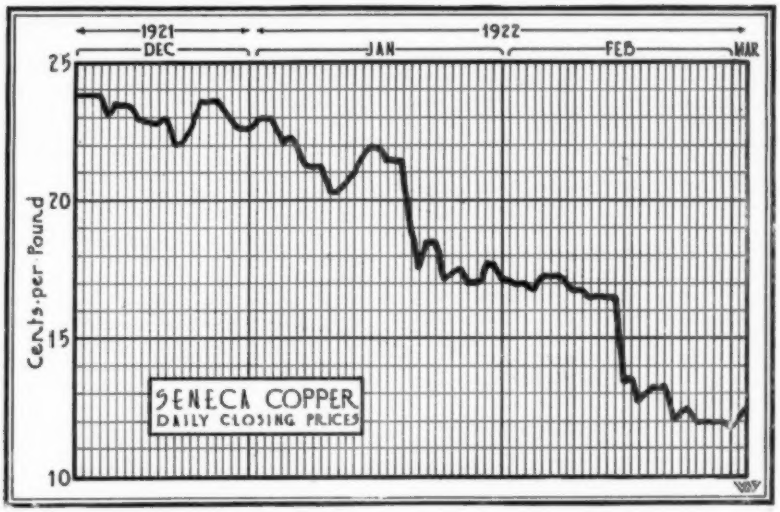
Seneca's Position

Seneca Copper is being pointed out as one of the concerns in a particularly good position.

The company owns and controls over 2,000 acres of land in Keweenan County, Michigan. Its holdings are situated just between the Ahmeek and Mohawk properties, the latter of which has produced over 190,000,000 pounds of copper, since its organization.

Seneca, thus far, has been a development proposition. The period of stagnation in the copper market has been used in location of ore-bodies, shaft-sinking, equipment construction, and so on. It has been determined that the Kearsarge Lode—the massive ore vein that fed Seneca's historic neighbors—runs directly through its holdings. Extensions of the ore vein's have been checked up as to quality, quantity and geological characteristics.

This development work has ascertained to the satisfaction of mining engineers that, in time, Seneca Copper is destined to become a low-cost producer of equal prominence to the other producers of its neighborhood.



Market Fortunes

Seneca Copper shares have had an interesting, although not prepossessing, stock market history. Of greatest interest have been the more recent chapters, extending over December of last year to date.

This period is pictured in the accompanying graph. Starting toward the third week of December, the collapse which marked differences that sprung up between pool members and managers of the property, is shown. Later on, in January, another sharp drop is shown, marking liquidation in the shares forced by the failure of a large Stock Exchange house, and not hindered by what amounted to "dumping" 100,000 new shares of Seneca Copper stock on the market at $10 a share.

It is to be noted that the reversals in the stock's market fortunes have been due to artificial influences, in no way related to the company's physical position; and only indirectly relating to its financial position.

The Company's Future

The outlook for Seneca Copper, considered as a mine, is considered something more than good.

The company, with the same veins and ore of the same average value to work on, has a decided advantage over its successful neighbors. It has the advantage of their experience, and is in a position to profit from their mistakes.

Regarding the company's resources, J. Park Channing, mining engineer and president of Seneca said recently:

"The vein or lode which has been developed upon this property is known as the Kearsarge Lode. I estimate that, assuming that this lode is mined to a depth of 7,500 feet, measured on a dip from the surface of the outcrop, the vein lying underneath 900 acres of this area is mineable and will yield approximately 600,000,000 pounds of copper. When developed and equipped as proposed, I estimate that there will be an annual production of approximately 20,000,000 pounds of copper, that the cost of this copper, sold in New York, will be 9½ cents a pound; and, based on my knowledge of the copper market, I believe that over a period of years this copper may be sold at 16 cents a pound, thus giving a profit of 6½ cents a pound, or an annual operating profit of $1,300,000."

Based on the total outstanding capital stock, such a profit would be equivalent to over $3.70 a share.

Conclusions

Although the Seneca Copper Co. is still a "comer," and should be regarded in that light, there seems reason to believe that the shares are undervalued at the prevailing price around 14.

The company is capitalized with 350,000 shares of no par value stock of which 25,000 shares have been reserved for the conversion of $500,000 convertible 8% debenture bonds, due 1925.

If—or when—the anticipated upturn in the copper market takes place, the stock might reasonably sell nearer the former high point of 25.

Intimate Talks With Readers

Go With the Market—Where Losses Can Be Avoided
Bonds Lead the Way—The Stop Loss Order

THE character of the market is an important thing to watch. During the past few months the bond market had a substantial rise, followed by action in some preferred stocks and real buoyancy in stocks of a true investment character.

The market itself is the best prophet of future conditions and the type of market—especially in bull markets—seldom fails to forecast what is beyond the horizon.

The present is an investment year. The rising market told us that money would be cheap and "easy." It is. Call and time money is plentiful and more of it will probably be available later. The market says so—and the market knows. This merely indicates that there is a time to speculate and a time to invest. The stock dividend market—the war market—the war bride market—merely followed the tendency of Wall Street established many years ago to base its next up move upon the one great factor that could be depended on to materialize without hitch or error.

No use buying a bunch of sugar stocks when the market says "Invest." It was no use investing in Canadian Pacific when the market said "Take your chance, gentlemen!—The public likes stock-dividends and war orders!"

For the best and nearest results—*Go with the market!*

The great advantage by so doing is that time is saved. Time is a great factor in investments and investors should watch out for their principal opportunities.

For the best and *nearest* results—go *with the* market.

Working Value of Securities

A HOLDER of 100 shares of Pennsylvania at much higher prices consulted us recently with regard to switching into another security to make up his loss of about $1,700. His Pennsylvania stock was fully paid for, and the owner not compelled to sell. We suggested to him the advisability of utilizing the "working value" of Pennsylvania, and employing this value toward gaining $1,700 in other securities for a longer pull. We pointed out that if he switched, he would have to sell out his Pennsylvania, and immediately register a full loss of $1,700. The possibility of recouping was a *hope,* whereas the act of selling and losing was a *certainty.* Acting on our advice, he placed his security with a bank or strong N. Y. Stock Exchange house, he has not taken his loss, and his new money, new securities, and personal credit are all employed together in salvaging that $1,700 loss. Note that we do not employ the term "paper loss" but speak of it as an actual loss; our friend has been advised to assume the worst, and go ahead rescuing his $1,700.

We believe this method to be a sound one and applicable in so many cases interesting to our subscribers.

Switching or exchanging a poor security for a good one is a well recognized method of endeavoring to recover a loss. Taking a loss on a good security in order to try to outguess the market action of one as against another, is not always advisable so far as the investor is concerned. It is poor investment practice. It is a very good plan to utilize the working value of your securities to invest the proceeds conservatively and elsewhere, with the final object of (a) recovering the loss, or (b) using the new profits to mark down the cost of the good security that has declined.

You do not always have to cut adrift, nor sell, nor take a loss in a security whose statistical position is improving, and its technical position even stronger than the latter, and the stock somewhat slow to respond.

Sometimes the investor should work fast. A poor security on the decline showing a loss should be parted with, either for good, or to be repurchased much lower if the investor is sentimentally inclined. Give the recovery in a good issue a long time to heal its wounds.

After Bonds—What?

The recent decisive action in the bond market is gratifying to us because we believe the majority of our readers hold bonds at much lower levels. We have been unqualifiedly bullish on bonds since the beginning of last year, and our more "seasoned" readers have had their opportunity. New subscribers will ask: "What next?"

The order in which a broad swing takes place in investment issues is a natural sequence of events. Gilt-edge bonds rise first through the purchase of rich people and institutions compelled to "keep moving" investmentwise. They *have* to place their money out at interest, and at the end of a bear market usually play safe. That is one great reason why Liberties and Victories had their great rise. Next in order came the gilt-edge, "legals-for-savings banks," and strong underlying issues. Next came (or rather, are coming along in good shape) the middle-grade strong to medium bonds. When all the latter are no longer very attractive from the income viewpoint, we should see a very substantial further rise in the speculative investment bonds, the income and adjustment type (the Hudson Manhattan 5s pointed the way), and bonds whose status is little better than the preferred stocks that follow them, if any.

Preferred stocks have not had a big rise as yet, and their yield on the average is far out of line with bonds. The reason for this is: the bulk of investment money, institutional funds, trust funds, savings bank investment, national bank funds, corporation surpluses and the like go into bonds first. The public in general does not start a move; it comes in when the move is well under way, and goes on with it long after the original interests are "through." A bond is a general type of investment suitable for every person and every type of institution, and the bond list—in a healthy investment market—must first be exhausted of bargains before the general securities list commences to receive the earnest attention of big money.

We aim to put our subscribers "one jump ahead" so to speak. We believe they will now find their big opportunity in preferred stocks which have hardly commenced to move. By "preferred stocks" we do not mean securities that have that name by courtesy, but the investment issues that are seasoned, maintained their dividends throughout 1920 and 1921, and paying such dividends at this writing. The preferred stock that has come through such a test will, or should sell no higher than a 5% to 6% basis within a year.

What Is a Stop?

WHETHER we have not made ourselves clear in the past, or whether there is a general desire for new information, we do not know, but we receive a surprising number of inquiries about stop orders. If we have explained this in too technical a manner in the past, we are sorry. For the benefit of those who are not ashamed to ask for information, to confess ignorance to "get it right," we are glad to say a few words in plain language.

A "stop" is a mechanical method or device to close out, sell out, or get rid of a trade in stocks—to complete a transaction automatically whether at a loss or a profit.

The kind most used (and more readily understood) is "the stop-loss order," which is nothing but an *order* to your broker to sell your stock and

(*Continued on page* 721)

Bucket, Bucket, Who's Got the Bucket Shop?

By **H. I. PHILLIPS**

> ***Jack and Jill***
> ***Went up a hill***
> ***For wealth, and thought***
> ***they'd struck it;***
> ***A broker bad***
> ***Got all they had—***
> ***He even took their bucket!***

WILL the secretary of the Bucketeers' Benevolent Association kindly rise and call the roll of "recently departed" members? And will one of the boy pages kindly ring the bell as each name is called, just by way of an impressive touch? But, no . . . on second thought, don't ring any bells: the surviving members might think a police wagon was without. They're very touchy these days, (the survivors, not the police wagons).

* * *

Gadzooks, but these are wild days and nights along the Wall street coast! Don't tell any shaky broker these times that in the bright lexicon of youth there is no such word as FAILURE! He knows better.

* * *

It's a wise bucket shop owner who knows today where he will be tomorrow, as the old saying goes.

* * *

Current marching song of the innocent victims: "Tramps, Tramps, Tramps, the Boys Are Marching."

* * *

Help! It's getting so a poor bucketshop operator can't call his pile his own. 'Sterrible! Their houses are falling faster than the price of Fords.

* * *

Talk about nervousness! Investors are shaking like rear fenders on a New York taxicab. Surviving bucketeers are shaking the same way. The investors are offering to shake the survivors for what's left.

* * *

But there's nothing left but a shoestring. The shoestring is what the bucket shop man started business on. Even that is in his wife's name in most cases. Boy, page Mr. Banton!

* * *

Has everybody busted who wished?

* * *

Very well, let's adjourn the meeting and read the newspapers:

From the New York World

"Ketchem & Trimmem, bucketshop brokers, filed papers in bankruptcy today with liabilities of $436.99 and assets of two chairs, a maple desk and a 'phone book in very bad condition. The failure will come as a great blow to their customers . . . both of them.

"Just before the failure Jasper Howl visited the district attorney's office and filed a complaint against the firm. *'Ketchem & Trimmem told me that if I would give them $25 I'd be surprised at what they could do with it,' he declared. 'Well, they told the truth.'*

"The other customer is expected to register his kick any minute."

* * *

From the Evening Mail

"The police are searching the country today for I. Kiddem Mawl, wealthy bucket shop operator who is said to have swindled Mrs. S. Whiffingpoof Dudd, wife of N. Orful Dudd, the prune magnate of Sioux City, out of $250,000 and six United Cigar store coupons.

"Mrs. Dudd told her story to the district attorney today as follows:

"'I met Mr. Mawl at a society ball. I was sitting under a palm in the conservatory, waiting for somebody to ask me to dance, when he introduced himself by hitting me on the head with a large vase. Of course, it was a bit unconventional of him, but he had such a wonderful personality that I just couldn't complain and we became real friendly.

"'I had only known him a half hour when he asked me how much money I had and how long it would take me to get it. Now I see what a poor sap I was, but at the time I was not suspicious and told him quite frankly how much loose cash I had around the house. Then he told me that he was a cousin of John D. Rockefeller and the closest chum of George F. Baker and Charlie Sabin. I remember he said he had just had lunch with Rockefeller at the Automat and that Rockefeller was such a warm friend he had advanced him the four nickels necessary to get a veal potpie out of the glass cabinet.

"'He told me he belonged to the Parchesi Club with all the big Wall street men and that they met every afternoon at the Aquarium—in front of the suckers' tank—to plan big deals for the following day. He said they always wore B. V. D.'s, brown derbies, Scotch plaid vests, reversible shirts and woolen mittens at these sessions and generally came in their bare feet. He pledged me to secrecy on the bare feet thing as he was afraid if this news got out their enemies might throw carpet tacks around the aquarium. Well, we called a taxi and went to my home where I got the money and gave it to him. I have never seen him since.'

"'Did you make any attempt to locate him?'" asked the district attorney.

"*'Yes,' she replied, 'I went to the aquarium for six days in succession, but not a bare-footed financier appeared. I suspect he was spoofing me.'*

"The district attorney told the lady he guessed her suspicion was correct."

* * *

From the Herald

"Albany, March 10.—A spirited hearing was held in the legislature today before the Senate Committee on Buckets on the Blue Sky Law. Just what the Blue Sky Law requires is not known but Senator Dodo declared on the floor that it would guarantee all investors all the blue sky they could use, with the usual 'one-eighth' commission to the brokers.

"'The people are entitled to the blue sky,' declared the thirty-fifth assistant district attorney in an impassioned speech. 'In fact, I think they are entitled to it in any colors they may prefer.'

"'I deny that I have defrauded a single patron out of a blue sky this season,' cried a prominent bucket shop promotor, interrupting the attorney.

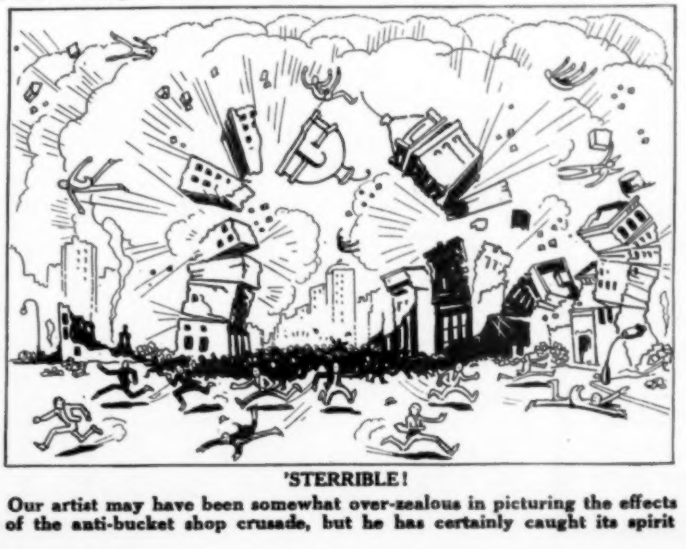
"'Who said you had?' demanded the attorney.

"'I thought you pointed in my direction,' returned the bucketeer.

"*'You're so crooked I couldn't point your way without using a corkscrew,' replied the attorney.*

* * *

"The meeting broke up amidst loud cries of 'Blue skies for Blue People!' and 'We want our money back!'"



'STERRIBLE!

Our artist may have been somewhat over-zealous in picturing the effects of the anti-bucket shop crusade, but he has certainly caught its spirit

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale Mar. 8	Div'd $ per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅝	90¼	111⅛	75	104	76	100	91⅝	96½	6
Do. Pfd.	106⅜	96	102⅛	75	89	72	88⅛	84½	86	5
Atlantic Coast Line	148⅛	102½	126	79⅞	107	77	90¾	83	‡88⅝	7
Baltimore & Ohio	122¼	90⅝	96	88¼	55¼	27⅝	38⅞	33½	37¼	..
Do. Pfd.	96	77¼	80	48¼	59⅛	35½	55⅞	52½	54⅜	4
Canadian Pacific	283	165	220⅜	126	170⅞	101	140½	119⅛	136¼	10
Chesapeake & Ohio	92	51⅛	71	35⅝	70⅜	46	60⅜	54	59¼	4
Chicago Great Western	36⅞	1¼	17⅛	6	14⅛	6¼	7⅜	5¼	6⅝	..
Do. Pfd.	64⅛	23	47⅛	17⅛	33⅜	14	18¾	14½	17	..
C. M. & St. Paul	165⅛	96⅜	107⅛	35	52⅜	17¼	24⅞	16½	23	..
Do. Pfd.	181	130⅛	143	62⅛	76	29⅛	38⅞	29	37¼	..
Chicago & Northwestern	198⅛	128	136⅞	85	105	60	69¼	59	69⅜	5
Chicago R. I. & Pacific	..	..	45⅜	16	41	22⅝	42⅜	30¾	40¾	..
Do. 7% Pfd.	..	..	94⅜	44	89⅜	64	94	83¼	92	7
Do. 6% Pfd.	..	..	80	35⅜	77	54	80¼	70¼	‡78¾	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅝	21	61	31⅜	57½	54	56¾	..
Delaware & Hudson	200	147⅛	159⅛	87	116	83¼	113¼	106¾	112	9
Delaware, Lack. & W.	340	192¼	242	160	260⅛	93	119¾	110½	114½	6
Erie	61⅛	33⅛	59⅛	18⅜	21⅜	9⅛	11⅛	7	10½	..
Do. 1st Pfd.	49⅜	26¼	54⅜	15⅛	33	15	18⅛	11⅛	16¾	..
Do. 2nd Pfd.	39⅛	19⅛	45⅝	13⅛	23⅜	10	11⅝	7⅛	‡11	..
Great Northern Pfd.	157⅞	115⅛	134⅜	79¼	100⅝	65	76⅞	70⅛	75⅞	7
Illinois Central	162⅛	102⅜	115	85⅜	104	80⅝	103	97½	100½	7
Kansas City Southern	50¼	21⅜	35⅛	18⅛	28⅞	13	27	22	25⅜	..
Do. Pfd.	75⅛	56	65⅛	40	57	40	55⅛	52¾	‡54¼	4
Lehigh Valley	121¼	62⅛	87⅛	50⅝	60⅜	39⅜	61½	56⅝	60	3½
Louisville & Nashville	170	121	141⅞	103	122⅜	94	115⅜	108	114¼	7
Minn. & St. Louis	*65	*12	36	6⅞	24⅛	5⅛	9½	5	8⅝	..
Mo., Kansas & Texas	51⅛	17⅛	24	3⅛	16⅝	⅝	5¾	⅜	5	..
Do. Pfd.	78¼	46	60	6⅛	25⅛	2	6⅜	1½	‡5	..
Mo. Pacific	*77⅛	*21⅛	38⅛	19⅞	38⅞	11⅛	23½	16	22¼	..
Do. Pfd.	..	..	64⅞	37⅛	58⅜	33⅜	55¾	43½	54¼	..
N. Y. Central	147⅜	90⅝	114¼	62⅛	84¼	64¼	79¼	72¾	80⅝	5
N. Y., Chicago & St. Louis	109⅜	90	90⅝	55	65	23⅝	66⅞	50	64⅜	5
N. Y., N. H. & Hartford	174⅜	65⅝	89	21⅛	40⅞	12	18⅞	12⅜	17⅛	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	27⅜	16	22⅞	19⅜	21¾	2
Norfolk & Western	119¼	84⅛	147⅛	92⅝	112⅛	84¼	101⅞	96¼	99¾	7
Northern Pacific	159⅛	101⅜	118⅞	75	99⅞	61⅛	81⅜	74¼	80¼	7
Pennsylvania	75⅝	53	61⅛	40⅛	48⅛	32¼	35½	33¼	36	2
Pere Marquette	*36⅛	*15	38⅛	9⅛	33⅛	12⅛	27¾	19	26¾	..
Pitts. & W. Va.	..	..	40⅝	17⅜	44⅜	21⅛	28¼	23	28¾	..
Reading	89⅝	59	115⅛	60⅛	108	60⅝	76¾	71⅛	74⅜	4
Do. 1st Pfd.	46⅜	41¼	46	34	61	32⅞	51	44	44	2
Do. 2nd Pfd.	58⅜	42	52	33⅝	65⅛	33¼	51⅜	45⅞	46½	2
St. Louis-San Francisco	*74	*13	30⅛	21	38⅞	10⅜	30⅛	20⅝	28⅜	..
St. Louis Southwestern	40⅝	18⅛	32⅛	11	40	10⅞	29¼	20½	28⅜	..
Do. Pfd.	82⅜	47⅛	65⅛	28	49⅜	20⅛	43½	32⅜	43	..
Southern Pacific	139⅛	83	110	75⅜	118⅛	67⅛	86⅞	78⅛	84⅝	6
Southern Ry.	34	18	36⅜	12⅛	33¼	17⅜	21¾	17⅛	20⅞	..
Do. Pfd.	86⅞	43	85⅛	42	72⅛	42	54⅜	45¾	52¼	..
Texas Pacific	40⅛	10¼	29⅛	6⅛	70⅛	14	33¼	24⅝	31⅞	..
Union Pacific	219	137⅜	164⅜	101¼	138⅛	110	135	125	132½	10
Do. Pfd.	118⅛	79⅜	86	69	74⅜	61⅛	74⅜	71¼	73⅛	4
Wabash	*27⅞	*2	17⅛	7	13⅜	6⅝	8	6	7½	..
Do. Pfd. A	*61⅜	*6⅛	60⅛	30⅞	38	17	25	19⅛	24⅛	..
Do. Pfd. B	..	..	32⅞	18	25⅛	12⅛	16	12¼	‡15¼	..
Western Maryland	*56	*40	23	9¼	15⅜	8⅝	9⅝	8¼	‡9¼	..
Western Pacific	..	..	25⅛	11	40	15	20⅜	13⅜	18⅞	..
Do. Pfd.	..	..	64	35	73	51⅛	58	51⅝	55¾	6
Wheeling & Lake Erie	*12⅛	*2⅛	27⅜	5	18¼	6⅛	7⅞	6	7⅜	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	62⅝	34	59⅝	55½	58¾	4
Do. Pfd.	..	..	..	..	103⅜	83	106¾	101	106¼	7
Allis Chalmers	16	7⅝	49⅛	6	53⅞	26⅛	47⅜	37¾	46⅜	4
Do. Pfd.	43	40	92	32⅛	97	67¼	93	86½	92	7
Am. Agr. Chem.	63⅜	33½	106	47⅜	113⅜	26⅛	41½	29¾	40⅞	..
Do. Pfd.	105	90	103⅛	89⅛	103	51	66⅞	55¾	66⅞	..
Am. Beet Sugar	77	19⅝	108⅛	18	103⅜	24¼	40⅞	31¾	39⅜	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	40⅝	31¼	39	..
Am. Can.	47⅞	6⅞	68⅛	19¼	68⅝	21⅜	45⅛	32⅛	44¼	..
Do. Pfd.	129¼	96	114⅛	80	107⅝	72	104⅞	93¼	103⅞	7
Am. Car & Fdy.	76⅛	36⅛	98	40	151¼	84⅛	156⅞	141	154½	12
Do. Pfd.	124⅜	107⅛	119⅛	100	119	105⅜	120⅛	115½	‡119¼	7
Am. Cotton Oil	79⅛	33⅛	64	21	67⅛	15⅛	24⅞	19⅛	25¾	..
Do. Pfd.	107⅛	91	102⅛	78	93	35⅛	56	41	56	..
Am. Drug Syn.	..	..	..	..	15⅛	4	6⅛	4½	5⅜	..
Am. Hide & L.	10	3	22⅛	2⅛	43⅛	5	15⅞	12	14¾	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	70¾	58	67¾	..
Am. Ice	..	..	49	8⅞	83⅛	37	103⅜	78	102⅜	7
Am. International	..	..	62⅝	12	132¼	21¼	45½	38⅛	43⅝	..
Am. Linseed	20	6⅞	47⅜	29	95	17¼	34½	29⅜	32	..
Am. Loco.	74⅜	19	98¼	46⅝	117⅛	58	111⅜	102	110	6
Do. Pfd.	122	75	109	93	115	96⅛	117	112	‡118	7
Am. Safety Razor	..	..	..	..	22	3⅛	6¼	3⅝	6	..
Am. Ship & Com.	..	..	..	..	47⅛	4⅜	14¾	5½	14¼	..
Am. Smelt. & Ref.	105⅛	56⅝	123⅜	50¼	89⅜	29¼	48¾	43⅝	48½	..
Do. Pfd.	116⅜	98¼	118⅛	97	109⅝	63¼	91½	86⅛	‡90¼	7
Am. Steel Fdys.	74⅛	24⅛	95	44	50	18	33¾	30¾	34⅛	3
Do. Pfd.	..	..	..	..	96⅛	78	96⅞	91	96⅞	7
Am. Sugar	136⅝	99⅞	126⅝	89⅛	148⅜	47⅝	74¾	54⅛	72⅝	..
Do. Pfd.	133⅛	110	128⅛	106	119	67⅛	100	84	98½	7
Am. Sumatra Tob.	..	..	145⅜	15	120⅛	28⅛	35¾	23¼	28¼	..
Do. Pfd.	..	..	108	75	105	64⅜	71	52¼	‡58	..
Am. Tel. & Tel.	153⅜	101	134⅛	90⅝	119⅛	92⅛	120¼	114½	120½	9
Am. Tobacco	*550	200	256	123	314⅛	104⅛	142½	129⅛	137⅜	12
Do. B.	..	..	..	..	210	100⅛	138¼	126	134	12
Am. Woolen	40⅝	15	60⅞	12	169⅛	55⅛	88⅝	78⅛	87⅝	7
Do. Pfd.	107⅜	74	102	72⅛	110⅝	88⅛	108½	102½	‡106¼	7
Anaconda	54⅝	27⅛	105⅝	24½	77⅞	30	50½	47	48¾	..
At. Gulf & W. I.	13	5	147⅜	4⅛	192⅝	18	31⅛	23½	29¼	..
Do. Pfd.	32	10	73⅜	9⅞	76⅛	15⅜	23	16½	22¼	..
Baldwin Loco.	60⅜	36⅛	154⅛	26⅝	156¼	62¼	109⅜	92¾	107	7
Do. Pfd.	107⅛	100¼	114	90	111⅞	92	109	104	109	7
Bethle. Steel B.	*51⅝	*18⅜	155⅛	59⅜	112	41⅛	66	55½	64¾	5
Do. 7% Pfd.	80	47	136	68	108	87	93	90⅞	91¾	7
Do. 8% Pfd.	..	..	116⅛	92⅛	116	90	109	104	‡108¼	8
Calif. Packing	..	..	80	30	87⅛	48⅛	75½	68	73	6
Calif. Petro.	72⅛	16	42⅝	8	56⅞	15⅜	54⅝	43⅛	52½	..

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-21 High	Post-War Period 1919-21 Low	1922 High	1922 Low	Last Sale Mar. 8	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	29½	88	63	89¼	83	89¼	7
Central Leather	51⅝	16½	123	25⅞	116½	22¼	35¾	29¾	35¾	..
Do. Pfd.	111	89	117½	94⅝	114	57½	70½	63⅝	69⅞	..
Cerro de Pasco	..	..	55	25	67½	23	35¾	32¾	34½	..
Chandler Mot.	..	..	109⅞	56	141¼	38¼	74¾	47¾	72¾	6
Chile Copper	..	..	39½	11¼	29½	7½	18¼	15½	17	..
Chino Copper	50⅝	8	74	31⅝	50⅞	16⅝	28¾	25⅝	27	..
Coca Cola	..	..	..	..	45⅝	18	46¼	41	44¼	4
Colum. Gas & E.	..	..	54½	14¼	69	39¼	77½	64⅜	77	6
Columbia Graph.	..	..	*168	*97	75½	2⅜	2⅞	1⅛	2⅛	..
Consol. Cigar	..	..	..	..	80	13½	30½	18⅝	24⅞	..
Consol. Gas	165¼	114½	150½	112¼	106⅝	71⅝	106½	85	104⅝	7
Corn Prod.	26½	7⅝	50½	7	105¼	46	107¼	91¼	105	6
Do. Pfd.	98½	61	118½	58⅜	112	96	115½	111	114	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	67¼	52⅜	57½	4
Cuba Cane Sugar	..	..	76⅝	24⅞	59⅝	5⅝	12⅞	8½	12½	..
Cuban Am. Sugar	*56	*33	*278	*38	*605	10⅞	24⅝	14½	23⅝	..
Fisk Rubber	..	..	..	..	55	8⅜	14	11¼	14⅜	..
Freeport Tex.	..	..	70½	25⅝	64⅝	9½	19¾	12¼	19⅝	..
Gen'l Asphalt	42⅞	15½	39⅝	14¼	160	32½	65⅜	55¼	60	..
Gen'l Electric	188½	129⅝	187¼	118	176	109½	157	135	152⅜	8
Gen'l Motors	*51⅝	*25	*850	*74½	42	9⅝	10½	8½	10	..
Do. 6% Pfd.	..	..	99½	72⅝	95	63	73	69	‡71	6
Do. 6% Deb.	..	..	..	..	84⅝	60	73	67⅞	69⅝	6
Do. 7% Deb.	..	..	..	..	94	69	85	79½	‡80¼	7
Goodrich	86½	15½	80½	19⅝	93⅝	26⅝	39⅝	34½	38⅝	..
Do. Pfd.	109⅝	78⅝	116⅝	79⅞	100½	62½	87	80½	85	7
Gt. Nor. Ore.	88½	25½	50⅝	22½	52⅝	24⅞	36¼	31⅝	34½	4
Houston Oil	25½	8½	86	10	116½	40½	79¼	70	75¾	..
Hupp Motors	..	..	11⅜	2½	23¼	4⅝	15½	10	14⅜	1
Inspiration	21⅝	13⅞	74⅜	14¼	68⅞	28	41	37¼	39¼	..
Inter. Mer. Marine	9	2½	50⅞	⅝	67⅝	7½	16⅝	13¼	15⅝	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	36	72¾	62¼	70¼	6
Inter. Nickel	*227½	*135	57½	24½	33⅝	11½	13½	11¼	12¼	..
Inter. Paper	19⅝	6½	75½	9½	91⅝	30½	52	42½	45½	..
Invincible Oil	..	..	..	..	47½	5½	17⅞	12⅞	16⅞	..
Island Oil	..	..	..	..	7½	2	3	1½	1⅜	..
Kelly Springfield	..	..	88½	36⅞	164	25½	44¾	34¼	44⅞	..
Do. 8% Pfd.	..	..	101	72	110¼	70½	98	90½	‡96	8
Kennecott	..	..	64½	28	48	14⅝	30¼	25½	28½	..
Keystone Tire	..	..	46½	11	126⅝	8½	18½	15½	16	..
Lackawanna Steel	86½	28	107	26½	107⅝	32	50	44	47⅝	..
Loews, Inc.	..	..	..	..	38⅝	10	14¼	11	13⅝	..
Loft, Inc.	..	..	..	..	28	7⅜	11⅜	9	11⅜	1
Mexican Pet.	90½	41⅝	129⅝	46½	264	84½	127	106⅜	124⅜	12
Miami Copper	30½	12⅝	49⅝	16½	32⅜	14½	28	25⅜	27¼	2
Middle States Oil	..	..	..	..	71⅞	10	13⅜	11⅝	13¼	1.20
Midvale Steel	..	..	98½	39½	62¼	22	32⅜	27⅛	30¼	..
Nat'l Lead	91	42½	74⅜	44	94½	63½	94¼	85	‡89	6
Nevada Copper	30	18	84½	10¼	21⅞	8	15¼	13¼	14⅜	..
N. Y. Air Brake	98	45	186	55⅞	145⅜	47½	67½	57	63	..
N. Y. Dock	40¼	8	27	9½	70⅝	16½	33⅜	28¼	28¼	2½
North American	*87⅝	*60	*81	*38⅝	46	32½	60¼	44½	57½	3
Do. Pfd.	..	..	..	..	41½	31⅞	42½	39	42⅞	3
Pacific Oil	..	..	..	..	50⅜	27½	50	44⅜	48⅜	3
Pan. Amer. Pet.	..	..	70⅝	38	140¼	38⅝	57¾	48⅞	56⅜	6
Do. B	..	..	..	..	111⅜	34½	52¼	44	51¼	6
Philadelphia Co.	59½	37	48⅝	21½	48	26½	35⅞	31½	35½	3
Phillips Pet.	..	..	..	..	44½	16	34½	28¼	35	2
Pierce Arrow	..	..	65	35	99	9⅛	18¼	13½	16⅜	..
Do. Pfd.	..	..	109	88	111	21	38	27⅞	34¼	..
Pittsburgh Coal	*29⅝	*10	58⅝	37½	74⅝	45	63¼	58⅞	60¼	5
Pressed Steel Car	56	18½	88½	17½	113⅜	48	69½	63	69	..
Do. Pfd.	112	88½	109½	69	106	83	93	91	92	7
Punta Aleg. Sug.	..	..	51	29	120	24⅝	41½	30⅜	39¼	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	38⅝	30¼	31	2
Ry. Steel Spg.	54½	22½	78½	19	107½	67	100½	94	97½	8
Do. Pfd.	113⅝	90¼	108½	75	112	92¼	114¼	108¼	‡105	7
Ray Cons. Cop.	27½	7½	37	15	27¼	10	15⅝	13½	14⅜	..
Replogle Steel	..	..	..	..	93½	18	41	25½	29⅜	..
Republic I. & S.	49½	15⅝	96	18	145	41⅝	56½	46½	50½	..
Do. Pfd.	111½	64½	112⅝	72	106⅝	75⅛	87½	74	79½	..
Republic Motors	..	..	77	61	74½	5	8½	4½	4⅞	..
Royal Dutch N. Y.	..	..	86	56	123⅝	40½	54⅝	47¼	51⅝	5.20
Shell T. & T.	..	..	..	..	90½	30⅝	43	35⅝	40	.83½
Sinclair Con. Oil	..	..	67½	25½	64¼	16⅝	23½	18⅜	23⅜	..
Sloss Shef. Steel	94⅝	23	93½	19½	89	32⅝	44	35¼	36½	..
Stand. Oil N. J.	*445	*322	*800	*355	212	124½	183	169¼	178½	5
Do. Pfd.	..	..	..	..	114½	100⅝	115⅞	113⅜	114⅜	7
Stromberg Carb.	..	..	45½	21	118½	22⅛	45½	35¼	43¼	..
Studebaker	49½	15⅝	195	20	151	37⅝	102⅞	79⅝	101⅝	7
Do. Pfd.	95½	64½	119½	70	104½	76	106	100	102	7
Superior Steel	..	..	96	30¼	60	26	31½	26	‡27⅝	..
Tenn. Cop. & Chem.	..	..	21	11	17½	6½	11½	9⅝	11	..
Texas Co.	144	74½	243	112	57⅝	29	46⅜	38½	45	3
Tex. Pac. C. & O.	..	..	..	..	195	18⅝	28⅜	23	26⅝	1
Tobacco Prod.	145	100	82⅝	38	115	45	65¼	57¼	60¼	6
Transcontl. Oil	..	..	..	..	62⅝	5⅝	11	7½	9⅝	..
United Fruit	208½	126½	173	105	224⅞	95⅝	145	119⅝	140½	8
Un. Retail Stores	..	..	..	..	119½	48½	56⅝	42½	45	..
U. S. Food Prod.	41⅝	9⅝	64⅝	5½	91⅝	8½	10½	2⅜	4	..
U. S. Ind. Alco.	57½	24	171½	15	167	35½	49½	37	48⅝	..
U. S. Rubber	69½	27	80½	44	143⅜	40½	60⅝	51⅝	59½	..
Do. Pfd.	122½	96	115½	91	119½	74	102	99	102	8
U. S. Smelt & R.	50	30⅝	81½	20	78½	26	37¼	32⅜	34½	..
U. S. Steel	94⅞	41¼	136⅝	38	115⅝	70¼	96½	82	94½	5
Do. Pfd.	131	102½	123	102	117½	104½	118	114½	116½	7
Utah Copper	67½	38	130	48½	97½	41½	65½	60⅝	63	2
Vanadium	..	..	..	..	97	25½	38½	30¼	36	..
Va.-Caro. Ch.	70⅝	22	60½	15	92½	20⅝	34½	27½	35½	..
Do. Pfd.	129½	62	118⅝	80	115⅝	57⅝	76½	67	75½	..
Western Union	86½	56	105½	53⅝	94	76	94⅝	89	‡95⅝	7
Westinghouse Mfg.	45	34⅝	74⅞	32	59⅝	38½	57	49½	56⅝	4
White Motors	..	..	60	30	86	29½	40	35½	38½	4
Willys Overl'd	*75	*50	*325	15	40¼	4⅝	5⅞	4½	5½	..
Wilson Co.	..	..	84½	42	104⅝	27½	42	27⅝	41	..
Woolworth	117⅝	76½	151	81½	139⅝	100	152⅞	137	149	8

*Old stock. ‡Bid price given where no sales made.

Answers to Inquiries

(Continued from page 690)

COLUMBIA GRAPHOPHONE

Receivership Probably Avoided

I own outright 300 shares of Columbia Graphophone common stock which I bought on a scale down, the 300 shares averaging me about 15. As the company appears to be in very bad shape do you believe it advisable to sell out and take my loss or hold on in the hope of some turn for the better.—M. G., Jersey City, N. J.

Columbia Graphophone at the beginning of 1921 was loaded up with high priced inventories and as the demand for its products fell to small proportions and prices receded rapidly it had to take an enormous loss. Its annual report for 1921 showed a total deficit for the year of $15,881,668 of which $11,031,674 was accounted for by losses in inventory. As of Dec. 31, 1921, notes payable stood at $13,687,779.

It rather looks now, however, that the company will avoid receivership and that instead there will be some readjustment of capitalization. Common stockholders will probably be given the opportunity to subscribe to some new security and the cash raised by this means will be used to reduce the floating debt. In view of the high price you paid for your stock we would regard it very inadvisable to sell out now as the company faces a much better outlook. The new security that you may have to subscribe to will have a market value and in our opinion you would have a very fair chance of getting your money back eventually. In the past this company has shown itself to be a very good money maker and when it gets back on its feet may be able to do well again.

VANADIUM STEEL

Intrinsic Value Doubtful

Kindly favor me with your opinion of Vanadium Steel. Its intrinsic value, earnings and financial condition.—T. G., Chicago, Ill.

Vanadium Steel for the six months ended June 30, 1921, reported a deficit after depreciation and depletion of $64,204. In view of the fact that most steel companies showed large losses in the first six months of 1921, this can be regarded as a reasonably good showing. The last annual report of the company covered the fifteen and one-half months ended Dec. 31, 1920. During this period the company earned $7.97 per share on its stock. The balance sheet of the company as of Dec. 31, 1920, shows a good financial condition with working capital of $3,800,000 and no floating debts other than current accounts payable. Capitalization consists of $372,334 shares of stock no par value. There is no preferred stock or funded debt.

The intrinsic value of the stock we should say depends a good deal on how the demand for Vanadium Steel is maintained, as the value of the company's deposit of this metal depends largely on the market demand. It is undoubtedly true that other metals are to a certain extent taking the place of Vanadium and for that reason we should regard the intrinsic value of the stock as a decidedly uncertain factor. Under present market conditions it is quite likely that the stock may be given a speculative move from present levels, but we regard it as a risky security, and would not favor purchasing unless a stop loss order is used.

ATTRACTIVE INVESTMENTS

Should Appreciate in Value

I am interested to know what you consider (A) the best investment bond, (B) the best investment stock, (C) the best speculative bond, (D) the best speculative stock.—S. G., New York City.

When you ask for the best investment bond we do not know if you mean the best in regard to safety or one which we believe is reasonably safe and has a good chance of appreciating in value. If you mean the latter we would suggest Chile Copper 6s selling around 85. We believe this bond is gradually working into a stronger position and that it has a good chance of appreciating materially in value if held for a year or so. A bond that we regard as "gilt-edge" and which returns a rather attractive yield for a gilt-edge security is New York, Chicago and St. Louis First Mortgage 4s due 1937, selling at 81, to yield 5.90%.

A speculative bond which we believe to have excellent possibilities is Interboro Rapid Transit First Mortgage 5s selling around 60. We believe this company has turned the corner as it is now earning its fixed charges and with operating cost still coming down and traffic increasing, we believe this bond will work to a stronger investment position.

A very attractive investment stock in our opinion is American Smelting & Refining 7% preferred selling around 91. In the past twenty years this stock with the exception of 1921 has always crossed par and as the company's outlook is much improved we believe it will go there again.

An attractive speculative stock in our opinion is Tennessee Copper selling around 10¼. This company is in very strong financial condition with a working capital of $3,000,000. It has favorable sulphuric acid contracts at the present time and earnings should improve.

HOUSTON OIL PREFERRED

Attractive Investment

Do you consider Houston Oil Co. preferred stock at present price of about 80 a good investment? Is it true that no dividend can be paid on the common stock until the preferred stock is retired at 105.—S. J. A., New York City.

Houston Oil for a long period of years has shown the dividend on its preferred stock earned with a comfortable margin to spare. As earnings of this company are steadily increasing, we regard the stock as an attractive business man's investment. The preferred stock is entitled to 6% cumulative dividend. In the event of dissolution or liquidation, this stock is to receive par

and accrued dividend. It is redeemable at 105. There is no provision to the effect that the preferred stock must be retired before the common stock receives dividend.

PREFERRED STOCKS

Offer Good Opportunities

I contemplate investing a few thousand dollars in a preferred stock that appears to be in a favorable position to advance. I have in mind International Motor Truck First preferred. What do you think of it?—B. A. R., Haverstraw, N. Y.

We believe there are good opportunities in preferred stocks at the present time because money rates are coming down and this has the effect of making good dividend paying securities gradually increase in value.

International Motor Truck First preferred we believe to have excellent possibilities, although it is speculative. Allis-Chalmers 7% preferred stock selling around 91 and California 7% preferred around 88 are, in our opinion higher grade securities and we believe they should gradually work to higher levels. Instead of putting all your money into International Motor Truck First preferred, suggest buying a little of each one of these three. By doing that you will not have all your eggs in one basket and the risk involved is materially lessened.

UNITED SHOE MACHINERY

Has Excellent Record

As the holder of 400 shares of United Shoe Machinery, would appreciate your opinion of this security.—S. P., Philadelphia, Pa.

United Shoe Machinery Company has a very remarkable record for a consistent earning power and the year ended Feb. 28, 1921, was the only period in recent times that the company failed to earn its dividend. The very unusual conditions prevailing during the period covered by the report of course, is sufficient explanation for the poor showing. The company has been very conservative in its dividend payments and in the past has put millions back into the property from earnings. This is reflected in the company's balance sheet which shows a very good financial condition with a working capital of close to $26,000,000. In June, 1919, the company announced that the common stock was no longer on a fixed dividend basis but that distributions would be ordered from quarter to quarter as earnings warrant it. In 1921, $2 per share was paid on the stock. We see no reason to question the future of this company and regard the stock as a good long pull semi-speculative investment.

BROWN SHOE

Operating Full Capacity

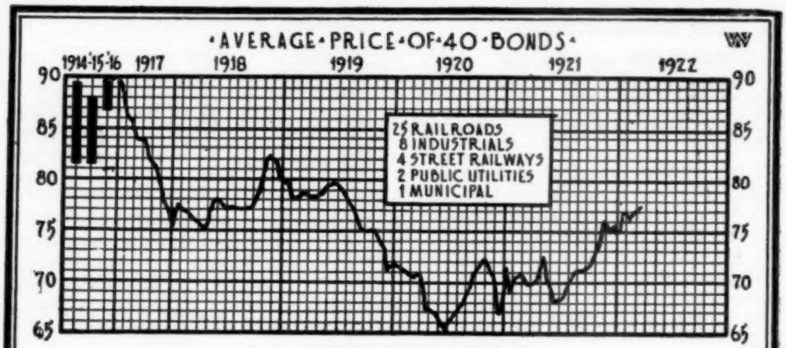
Will you please advise in regard to Brown Shoe Co.? I hold 100 shares at about present prices. What is the intrinsic value of the stock, and is it advisable to hold?—B. E. G.—Lombard, Ill.

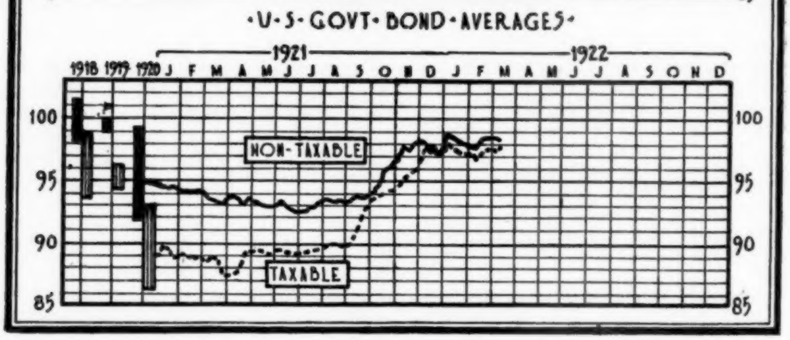
For the year ended Oct. 31, 1921, the Brown Shoe Co. reported a deficit after dividends of $1,125,753, as against a profit of $459,736, for the same period of 1920. However, it was stated that in the second six months there was a

(*Continued on page 721*)

THE BOND MARKET

(*Continued from page* 675)





Current Bond Offerings

WITH the general market in bonds moving forward under the impetus of exceptionally heavy public buying and favored by comparatively low money rates, interest in new bond offerings has risen to a point hardly surpassed at any time during the past few months. Dealers in new bond issues report that it is difficult to fill the demand. Offerings for the past two weeks totalled about $200,000,000 ranging from conservative municipal bonds on a 5% yield basis to offerings of industrial corporations on approximately an 8% basis.

The announcement of the Treasury Department of a new issue of four-year non-callable tax-exempt 4¾% certificates had a stimulating effect on Victory 4¾% notes, through which the former issue is purchasable. The Victory 4¾s as a result moved across par. As a result of this financing, part of the Victory maturities falling due May 23 are postponed until March, 1926.

Of the new bonds offered, foreign issues amounted to about 40%, the largest group among the new issues. State and municipal issues came next with about 22% of the total, the balance being distributed more or less equally between public utility, industrial, railroad and state bank issues.

The largest single offering was the $27,000,000 5-year 7% Argentine bonds offered at 99. Further South American financing is expected in the near future.

Public utility offerings were in comparatively large volume. Industrials were marked by a tendency toward a 7% coupon rate against the 8% rate prevailing for the past two years. Industrial bonds of the new vintage are thus commencing to reflect the influence of the easier money conditions now prevailing.

Regarding the future of the "new" bond market it would seem that as long as money rates continue to display their present easy tone, rates offered to the public will continue to be on a lower and lower basis. The trend of the bond market must still be considered upward.

NEW BOND OFFERINGS

	Amount	Yield off'd
FOREIGN		
Government of the Argentine Nation	$27,000,000	7.25%
Midi R. R. guaranteed bonds (francs)	25,000,000	6.85
Philippine Government	5,000,000	4.78
STATE AND MUNICIPAL		
City of Detroit......	$14,500,000	4.40-4.42
City of Chicago	1,600,000	4.50-4.75
Morris Co., N. J......	1,380,000	4.25-4.40
RAILROADS		
Canad. Nat'l Rys....	$11,000,000	5.15
St. Louis-San Fran...	500,000	5.75
LAND BANK		
California Joint Stk..	$3,000,000	4.80-5.00
Dallas Joint Stk....	1,300,000	4.90-5.50
PUBLIC UTILITIES		
Am. Pub. Serv.......	$1,000,000	7.00
West. States Gas & Elect.	5,000,000	6.50
Houston Gas & Fuel.	1,200,000	6.17

TODAY'S BEST BOND INVESTMENTS

(*Continued from page* 674)

version privilege becoming of value in the near future. The company recently issued its report for 1921 and while net results for the full year showed that dividends were not fully covered the President stated in the report that earnings over the last four months of the year were at the annual rate of over $15 per share of common stock. The balance sheet showed an unusually sound working capital position and net assets behind the 7½% bonds amounted to about 550%.

Copper Issues

The Copper issues present very fair opportunities, the most preferable from a speculative standpoint being the Chile Copper 7s of 1923. These bonds are senior to the Chile 6s of 1932 and the conversion price is lower. The Cerro de Pasco 8s are probably the best of the coppers intrinsically, but they are selling at quite a high premium which is somewhat of a disadvantage.

With the improvement that has been shown over the past few months in the prices of cotton, grain, and other farm products it would seem that the two chemical fertilizer companies, American Agricultural and Virginia Carolina may look for better times ahead. Both these bond issues are convertible into preferred stocks, neither of which is paying a dividend at the present time. Both stocks, however, are cumulative and the probabilities are that the companies have seen the worst of their troubles.

Oil Bonds

There is quite a wide selection in oil bonds and the outlook for the industry itself and oil stocks generally is encouraging. Of the several issues the writer believes that Barnsdall 8s, Mexican Petroleum 8s and Indiahoma 8s are fairly safe bonds with good possibilities for profit through the conversion privilege eventually becoming of value.

Bethlehem Steel 7% Notes are convertible into the 6% consolidated mortgage bonds of the company, on a 6½% basis. The notes mature July 15, 1923 and there is very little doubt as to their being paid at maturity if the holder chooses not to convert. A holder of these notes therefore is in a very nice position: If the bond market should go up he can convert his notes, thus obtaining an excellent long term industrial bond on about a 6½% basis, while if prices sell off his note matures in little over a year and he will have those funds available with which to take advantage of low prices.

On the whole, the list of convertible bonds offers a number of varied selections that should meet the requirements of many investors. It is suggested that the table be preserved as a guide for future reference, as a number of the issues listed do not show by their titles that they are convertibles. All the issues with the exception of the Detroit Edison bonds, are listed on either the N. Y. Stock Exchange or the N. Y. Curb Market and enjoy a ready market.

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Offered	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	80	6.42%
Buffalo General Electric First 5s, 1939 (c)	97	5.27
Canton Electric Co. First 5s, 1937 (b)	86	6.46
Cleveland Electric Ill. Co. 5s, 1939 (b)	96	5.38
Cleveland Electric Ill. Co. 7s, 1935 (a)	102	6.76
Denver Gas & Electric Co. First 5s, 1949 (c)	93	5.41
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	105	6.98
Evansville Gas & Electric Co. First 5s, 1932 (a)	83 bid	7.44
Kansas Elec. Utility First 5s, 1925 (c)	88	9.50
Kansas Gas & Electric 5s, 1922 (a)	100	5.00
Indianapolis Gas Co. 5s, 1952 (a)	88	5.80
Los Angeles Gas & Electric Gen. 7s, 1931	104½	6.32
Louisville Gas & Elec. Ref. 7s, 1923 (c)	101	5.96
Nevada-Cal. Electric First 6s, 1946 (c)	96	6.33
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	103	7.20
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	91½	6.50
Peoria Gas Electric 5s, 1923 (a)	96	7.11
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	107	6.43
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	88	6.15
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	98	6.19
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	95	7.47
Standard Gas & Electric Secured 7½s, 1941 (c)	100	7.50
Syracuse Gas Co. First 5s, 1946 (a)	90	5.78
Twin-State Gas & Electric Ref. 5s, 1953 (c)	77	7.10
Tri-City Ry. & Light 5s, 1930 (c)	92	6.25
United Light & Rys. Ref. 5s, 1932 (c)	86	7.00
United Light & Rys. Notes 8s, 1920 (c)	102	7.66

TRACTION COMPANIES

	Offered	Yield
Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	100	7.50
American Light & Traction Notes 6s, 1925 (c)	100½	5.86
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	67½	8.50
Danville, Champ. & Decatur 5s, 1938 (a)	75	7.75
Georgia Ry. & Power 5s, 1954 (b)	88	5.83
Kentucky Traction & Terminal 5s, 1951 (a)	68	7.60
Knoxville Ry. & Light 5s, 1946 (b)	75	7.20
Milwaukee Light, Heat & Traction 5s, 1929 (a)	93	6.25
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	101	5.96
Milwaukee Elec. Ry. & Light 20 year 7½s, 1941 (b)	102	7.30
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	99	8.06
Memphis St. Ry. 5s, 1945 (a)	68	8.70
Northern Ohio Trac. & Lt. 6s, 1926 (c)	93	8.08
Northern Ohio Trac. & Light 6 Year Sec. 7s, 1926 (c)	98	7.59
Nashville Ry. & Light 5s, 1953 (a)	86	6.00
Portland Ry. P. & L. 1st Lien & Ref. Ser. "A" 7½s, '46 (c)	104½	7.12
Topeka Ry. & Light Ref. 5s, 1933 (c)	76	8.38
Toledo Trac. Lt. & P. Co. First Lien 7s, 1922 (b)	98	9.00

POWER COMPANIES

	Offered	Yield
Adirondack P. & Lt. Corp. First & Ref. Gold 6s, 1950	98	6.15
Adirondack El. Power Co. First 5s, 1962	93	5.35
Alabama Power Co. First 5s, 1946 (a)	89	5.85
Appalachian Power Co. First 5s, 1941 (a)	84	6.50
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	102	7.20
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941	103	6.72
Cent. Maine Power Co. 5s, 1939 (a)	97	5.27
Cont. Georgia Power First 5s, 1938 (c)	87	6.30
Columbus Power Co. (Georgia) First 5s, 1936 (a)	91	5.96
Colorado Power Co. First 5s, 1953 (c)	86½	5.95
Consumers Power Co. (Mich.) 5s, 1936 (a)	93½	5.70
Electric Dev. of Ontario Co. 5s, 1933 (b)	93	5.88
Great Northern Power Co. First 5s, 1935 (a)	91	6.01
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	103	6.76
Great West. P. Co. 5s, 1946 (a)	92½	5.59
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	95	5.30
Idaho Power Co. 5s, 1947 (a)	89	5.80
Kansas City Power & Lt. 8s, 1940 (c)	105	7.60
Kansas City Power & Lt. First 5s, 1944 (c)	90½	5.77
Laurentide Power Co. First 5s, 1946 (b)	92	5.60
Madison River Power Co. First 5s, 1935	97	5.30
Mississippi River Power Co., First 5s, 1951 (c)	90	5.70
Niagara Falls P. Co. First & Cons. Mtg. 6s, 1950 (b)	103	5.78
Ohio Power First & Ref. 7s, 1951 (c)	103	6.77
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	99	8.10
Potomac Electric Power Gen. 6s, 1923 (c)	100	6.00
Puget Sound Power Co. First 5s, 1933	89	6.41
Salmon River Power First 5s, 1952 (c)	92½	5.50
Shawinigan Water & Power Co. First 5s, 1934 (b)	97½	5.35
Southern Sierra Power Co. First 6s, 1936 (c)	96	6.44
S. W. Power & Lt. First 5s, 1943 (c)	85	6.30
West Penn. Power First 7s, 1946 (c)	105	6.58

TELEPHONE AND TELEGRAPH COMPANIES

	Offered	Yield
American Tel. & Tel. 3-Year 6s, 1922 (c)	100	6.00
American Tel. & Tel. 5-Year 6s, 1924 (c)	101	5.47
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	93	7.65
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	101	6.63
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	108	6.34
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	93½	5.52
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	92	5.84
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	95	5.66

*Investors should note that the "asked" price on a bond may vary from 1 to 5 points from the "bid," depending upon the activity of the security.

American Light & Traction Co.

Trend of Earnings Appears Definitely Upward—Converted Deficit in First Quarter of 1921 Into Profit in Last Three Months

By JAMES N. PAUL

AMERICAN LIGHT & TRACTION appears to be one of the public utility companies which is making good progress toward improved earnings. For the twelve months ended December 31, 1921, the company showed net income available for preferred and common dividends of $3,510,902 compared with $3,051,494 the previous year. The earnings for the year do not indicate the full measure as company was handicapped by a deficit set up during the first quarter of the year. That the turn came early in 1921 is apparent from the trend of earnings as shown by the quarterly statements: First quarter deficit of $503,334 after dividends; second quarter net earnings of $198,196 after dividends; third quarter $259,893, and fourth quarter net $472,127.

For those desiring a short term investment, the American Light & Traction 6% five-year notes due May 1, 1925, appear attractive. The notes which are selling around par to yield 6% have speculative possibilities in view of the common stock purchase warrants attached. Notes carry detachable warrants entitling holders to purchase common stock in the ratio of two-thirds of a share of common for each $100 par value note held. Purchase price is fixed at $142 up to May, 1922, at $147 up to and including May 1, 1924, at $152 to date of maturity. They are redeemable after May 1 next at 101.

In January the Detroit City Council ordered one of its chief subsidiaries, the Detroit City Gas Co., to reduce rates from 85 cents to 79 cents a thousand feet, but this should not seriously affect earnings and will probably be absorbed by lower operating costs.

Shawinigan Water Power Co.

The annual report of Shawinigan Water & Power Co. showed that the company is making fair progress in getting back to normal. Net earnings available for dividends on the common stock in 1921 after all charges and taxes amounted to $1,515,813 against $1,490.043 the previous year. While it has been intimated that authority will be asked to increase the capitalization, this should in no way affect the 5% bonds which are a first lien on the properties. There are only approximately $3,800,000 of this issue outstanding, which is a closed mortgage. The bonds can be considered a high grade investment and selling at around 98 yield about 5.23% if held to maturity date, 1934.

Alabama Power Co.

Among the smaller companies which appear to have good possibilities in the hydro-electric field is the Alabama Power Co. which produces, sells and distributes power in the northern part of the state. This company has a modern hydro-electric plant on the Coosa River, forty-five miles southeast of Birmingham with installed capacity of 90,000 horse-power. Construction of an additional unit which will bring capacity up to 110,000 horse-power has been practically completed.

Construction of a second large hydro-electric plant with an initial generating capacity of 66,000 horse-power has been started. When completed this plant should bring the company's total installed capacity to 226,000 horse-power of which 77% will be hydro-electric. The company is situated in territory densely populated serving also the greater Birmingham district and should find a ready market for its increased capacity.

Earnings are stabilized but should increase moderately when present power projects are completed. Net earnings after taxes and available for funded debt interest charges for twelve months to November 30, 1921, were given at $2,358,607 against $2,089,126 in the previous twelve month period.

Unlisted Utility Yields

A glance at the accompanying table on Unlisted Public Utility Bonds will show an exceptionally large number of them to be offering yields from 5½% to 8.00%. A number of good opportunities are presented in these issues and investors are recommended to watch developments in this part of the investment market.

FOREIGN TRADE AND SECURITIES

(*Continued from page* 668)

at a terrific rate. It is quite probable that had our government been confronted with the necessity of spending money for similar reconstruction purposes that the Allies were forced to do, the depreciation in the dollar might have extended to the same extremes that occurred in some of the European countries. We were fortunate in that, however, as we were in many other ways during the war. Our war debt of twenty billions is comparatively small, particularly if we place to its credit the ten billions that is owed the government by foreign nations.

Deflation in the United States was forced upon the country by the decline in our export trade. With the greatest wealth ever accumulated by any one nation in the world's history, with a credit balance larger than had ever before been recorded, with more gold than we could possibly use, with the financial leadership of the world in our hands, we were yet unable to hold our relative place of supremacy over England. While England has been coming up the United States has been going down to meet her. That is to say, while sterling has been advancing, the dollar has been declining. This does not mean that the value of the dollar in this country has declined. On the contrary it has advanced. The dollar today is secured by too much gold, rather than too little. **But the value of the dollar in the world's market has declined, and the reason for it is because there is not the demand for it that existed two years or even one year ago.**

At the beginning of this article it was stated that our wealth has been costly. We are finding that out today. With a dollar at a high premium in the principal nations of the world, it became too expensive for those nations to trade with us. They had to find their raw materials in other markets or go without them. At the best they bought as little as possible, and we soon began to lose our customers. As our factories were producing beyond the normal consumption of this country, the surplus had to be exported or else production lessened. When the demand from abroad ceased, prices dropped, huge losses were sustained, the purchasing power of our own people was curtailed and finally our prosperity was a thing of the past.

It is true, of course, that with the margin between the dollar and other exchanges growing smaller, Europe has become better able to purchase our goods. This result is already being felt in certain agricultural products. But as a nation we will never regain our former position in international trade unless we learn some of the obvious lessons of economics. One of these is that we cannot sell abroad unless we are willing to buy. International trade is an exchange of goods for goods, not an exchange of goods for money. When we buy from other countries we increase their buying power for our goods. High tariff walls will, therefore, not add to our prosperity but on the other hand will put a brake upon it. We are in a different position today than in former days when we were building up our industries. Then we did not have all the implements for international leadership. Today we have. We also have responsibilities that our wealth has brought us and one of these is to assist other nations to recover by increasing their production.

Our huge gold reserve and the enormous debts of Europe to the United States government are incentive for wild national extravagances. Should these be diverted from their rightful course the value of the dollar will actually decline and will in time be at a discount in relation to certain other currencies. The proposal for a soldiers' bonus, for example, calling for an outlay of nearly five billion dollars would result in the most serious kind of inflation. It might possibly increase production for a short time, but it would be an artificial stimulus that could only be followed by another period of depressions. It is proposals like this that have had a weakening effect on the American dollar as compared with other currencies, and this comes in a period when all the factors in most other countries tends to strengthen their currencies.

There is no question that sterling has advanced but it is also true that part of the advance recorded in sterling is really a decline in the international value of the dollar. It is well that sterling and the dollar should be on a par, but it is also well that the United States should not let the return of England to the pre-war status be brought about at the expense of this country. The matter is in our own hands.

"AT ANY TIME AND FOR ANY CAUSE"

(*Continued from page* 694)

his policy contract, the insured should use care to "see straight," and not to delude himself with the idea that he is carrying $20,000 of insurance payable at his death **in any event,** when in reality he holds but $10,000 insurance protection except in case of his **accidental death.** While care should be taken to meet the unexpected, a man's vision regarding his responsibilities in the matter of maintenance for his dependents after his death should cover a wide field. The Additional Accidental Death Benefit will help him to approach his desired goal of protection. As his income increases the thoughtful man will build up an estate which will provide ample protection for his family in case of his death **at any time and from any cause.**

THE TREND OF OIL PRICES
(Continued from page 699)

favorable. The latest compilation of Automotive Industries shows that in 1921 there were registered 10,505,600 motor vehicles, against 8,932,458 in 1920. Notwithstanding the depressed state of the motor industry the number of cars in operation was considerably increased and there is no doubt that the number will show a further substantial increase in 1922 regardless of general conditions. The total domestic consumption of gasoline in 1921 amounted to 4,516,000,000 gallons compared with 4,256,000,000 in 1920. There is no doubt that intense business depression caused a smaller use of gasoline by many automobile owners and should conditions improve this year it is likely that the demand for gasoline will grow in even greater proportion than the increase in number of cars in operation. With the resumption of industrial operations in many plants which were closed down partly or entirely during 1921 the demand for fuel oil would increase and this also applies to the shipping situation.

The Price Situation

As to the immediate outlook for the oil industry, there is a difference of opinion even within the trade itself. It would certainly not have been surprising in view of the continued heavy supply if prices had been reduced before now. In some quarters it is argued that as prices have held up until the present and the spring demand will soon set in there is little likelihood of any reductions being made at this time. In other quarters it is believed that it will be impossible for the big companies who are carrying the bulk of the supply to hold up prices much longer in view of the great financial burden involved. It has been reported that there is a difference of opinion between various Standard Oil interests as to the best course to pursue. It is said that the western interests are opposed to any reductions in prices while the big eastern refining interests would welcome a reduction of crude prices.

Conclusion

The Oil City Derrick, which is looked upon as being a very conservative authority on the oil industry, in a recent issue has the following to say regarding the price situation:

"At the end of the month the crude oil situation was not any better than at the start. There were no indications of any early increase in crude quotations while there were signs of reductions which may take place in the near future." Regardless of the immediate course of prices, it would seem that the ultimate trend must be upward in view of the steadily expanding use of petroleum products.

In this connection, it appears that the most likely candidate for an advance in prices in the near future is gasolene for which the demand is already exceptionally large.

OVER-THE-COUNTER

IMPORTANT ISSUES

Quotations as of Recent Date

Aeolian Weber	.. 15
Pfd.	.. 65
American Piano	60– 65
Pfd.	80– ..
American Type Founders, com	46– 49
Atlas Portland Cement	47– 52
Babcock & Wilcox	108–110
Borden Company	96–100
Celluloid Co.	108–110
Childs Co., ex. div	108–112
Crocker Wheeler	.. 60
General Baking	82– 85
Jos. Dixon Crucible	134–140
Ingersoll-Rand	142–155
H. W. Johns-Manville	400–450
New Jersey Zinc	139–141
Niles-Bement-Pond	46– 48
Phelps, Dodge Corporation	165–175
Royal Baking Powder Co.	100– ..
Safety Car Heating & Light	60– 62
Singer Mfg.	105– ..
Stetson (John B.)	295–310
Thompson-Starrett	57– 63
Victor Talking Machine	1000–1050
Ward Baking Co.	102–105
Yale & Towne Mfg.	280–295

Unlisted Stocks Rule Strong

Important Advances in Recent Weeks

The Over-the-Counter Department of THE MAGAZINE OF WALL STREET was inaugurated in the December 10th issue. The purpose was to distribute information about the numerous important companies represented in this market, and which receive little, if any attention, elsewhere.

In the few weeks since, a greatly increased interest in the over-the-counter market has been apparent. Largely, of course, because of the upturn in trade, but also due in part to the publicity given the market, important advances have been registered. The following table shows the extent of some of the advances, being a comparison of the bid prices as of December 10th and March 10th, last:

Stock	Dec. 10	Mar. 10
American Type Founders	38	46
Celluloid Co.	97	108
General Baking	61	82
Jos. Dixon Crucible	125	132
Royal Baking Powder	81	100
Victor Talking Machine	800	1,000
Ward Baking Powder	90	102
Yale & Towne	235	280

Victor Talking Machine, for which $1,000 a share is offered at this writing, recently declared a quarterly dividend of $10 a share.

About Commissions

How Brokers Charge for Services

In view of the increased interest in the over-the-counter market a word about the brokerage commissions charged may be to the point.

Commissions in this market vary according to the time necessary to transact a given order. When an order is placed in an active stock, of which there is considerable floating supply, commissions are comparatively low. The unlisted security dealer under such circumstances generally charges from 1/8 to 1/4%.

When orders are placed in stocks which are little known, and difficult to find a market in, however, the transaction is generally carried through on a "net" basis. This because the broker frequently has to send telegrams over the country and spend considerable money on the long distance telephone; with the result that, should he charge only 1/8 or 1/4% commission, he would be losing money on the transaction. Instead, the broker attempts to secure the issue ordered at less than the price stated, or to sell it at more than the price stated. If an unexpectedly large difference is thus obtained, the broker will frequently give up a portion thereof in favor of his customer.

The investor who deals with reliable brokers in over-the-counter stocks (as represented, for example, in the advertising columns of this MAGAZINE) finds no handicap in this commission procedure. He knows that the nature of the securities dealt in is such that set commission charges would not be practicable. It is not like buying or selling securities listed on the stock exchange, where all the broker has to do is announce his order on the floor. Very often, as stated above, the over-the-counter broker must get into communication with many different persons before finding one willing to sell or buy. This unusual effort costs him time and money.

Incidentally, the suggestion might be made here that actual holders of over-the-counter stocks need not feel annoyance at being approached by brokerage houses with offers for their shares. A great proportion of the over-the-counter business must be done with individual stockholders direct. When a holder is approached in this way, it is part of an effort to establish a "market" for the stock in question, something that always devolves to the stockholder's benefit.

General Baking Strong

Shares of all the baking stocks have been strong in recent weeks. A feature has been General Baking Co., which gained about 5-points in the last fortnight.

The company's excellent growth was analyzed in the March 4th issue. Earnings are continuing at a good rate, and it is believed that the common, heretofore on a 7% basis, will be made at 8% stock.

IMPORTANT DIVIDEND ANNOUNCEMENTS

7%	Allis-Chalmers, p...	1¾%Q	3-24	4-15
7%	Am Fk & Hoe, 7% p.	3½%S	4- 5	4-15
$3	A St Fds, c($33⅓).75c	Q	4- 1	4-15
....	Borne-Scrymser, ext.15	%	3-18	4-15
8%	Can Westinghouse..	2 %Q	3-20	4- 1
6%	Carey (Philip) Mfg p.	1½%Q	3-20	4- 1
11%	Cinc Fin ($10).....	2¾%Q	3-20	4- 1
7%	Continental Can, p.	1¾%Q	3-20	4- 1
6%	Dayton P & Lt, p...	1½%Q	3-20	4- 1
$1.20	Detroit Cream ($10)30c	Q	3-21	4- 1
7%	Dom Textile, p....	1¾%Q	3-31	4-15
6%	duP,deN & Co,d st.	1½%Q	4-10	4-25
5%	duP, deN Pow, p..	1¼%Q	4-20	5- 1
6%	duP, deN Pow, c..	1½%Q	4-20	5- 1
7%	Fin Co of Pa 1st p.	1¾%Q	3-18	4- 1
7%	Firest T & R, 7% p.	1¾%Q	5- 1	5-15
6%	Firest Tire & Rub. 6% p.	1½%Q	4- 1	4-15
6%	General Ry Sig, p.	1½%Q	3-20	4- 1
7%	Hart, S & Marx, p.	1¾%Q	3-18	3-31
$8	Indep Pn Tl (n p).$2	Q	3-20	4- 1
7%	Kress (S H), p...	1¾%Q	3-20	4- 1
....	La Rose M. Ltd ($1).10c		3-24	4-20
7%	Lorillard (P)Tob, p	1¾%Q	3-18	4- 1
12%	Lorillard (P)Tob, c	3 %Q	3-18	4- 1
$4	M Lt & Ht ($50)...$1	Q	3-31	4-15
6%	Newark & Bloom..	3 %S	3-24	4- 1
6%	Pac Tel & Tel, p..	1½%Q	3-31	4-15
7%	Petti-Mulli, 1st p..	1¾%Q	3-21	4- 1
7%	Petti-Mulli, 2d p..	1¾%Q	3-21	4- 1
7%	Tobacco Prod, p..	1¾%Q	3-16	4- 1
8%	Univ Leaf Tob, p..	2 %Q	3-22	4- 1
12%	Univ Leaf Tob, c..a3	%Q	3-22	4- 1
6%	Western Pa R R, p.	1½%Q	3-20	4- 1
$4	W E & M,p ($50).$1	Q	3-31	4-15
$4	W E & M, c ($50).$1	Q	3-31	4-15

Securities and Commodities Analyzed in This Issue

Bonds

Industrials

Public Utilities

Mining

Petroleum

Railroads

Commodities

IS EUROPE READY TO REPURCHASE AMERICAN SECURITIES?

(*Continued from page 663*)

pends almost completely on the outlook for sterling exchange values. At the present time with sterling in a strong upward trend it would be difficult to expect the European to sell his funds in order to buy dollars for the purpose of buying American securities. It is apparent that were sterling to go higher, the seller of sterling at these levels would lose money. For example, if a European sold "sterling" at the current levels of $4.43 and it then advanced to $4.86 (parity) he would have lost 43 cents per pound on the transaction, no matter what he intended to buy with his American dollars.

The British investor and, in fact, European investors in general are too canny a lot to take chances of this sort and it must therefore be expected that as long as sterling and other foreign rates, but particularly sterling, continues to move upward, the effort of European investors to acquire American securities will be limited.

However, eventually sterling will be stabilized, probably at around the par value, in which case Europeans would find it profitable to sell their sterling to buy dollars and in turn American securities, principally the standard securities which they sold to us during the war.

It may be assumed that with sterling not so far from parity it will eventually reach that figure. This will release a large amount of purchasing power which should permit renewed investment activity in American securities. Up to this time, so far as can be gained by the writer from many conversations with leading financiers, there is nothing more at present than a more or less spasmodic effort on the part of European investors to do aught than buy back some of their foreign holdings outside of the "Americans." They are not displaying much interest in the latter at the present time.

Yet these securities, offering the best and safest investment opportunities in the world, will not presumably be ignored by the conservative investing classes found throughout Europe. That they will again re-enter this market is not by any means a remote probability and this should occur at a time sooner than many think.

The effect of such repurchasing may well be imagined. We are holding today no less than $2,000,000,000 securities which were once European possessions. The repurchase of even only half that amount would act as a greatly stimulating influence on our own markets.

It is consequently an important matter to ascertain the probabilities in connection with this matter. As one of the influences likely to determine the character of the American investment market within a year or so, it is something to be considered very seriously. As stated earlier, the whole subject is more or less hypothetical at this time

but the underlying economic conditions abroad suggest that ultimately Europe, particularly Great Britain and countries like Holland, Switzerland, and the Scandinavian countries, will re-enter the American investment markets on something like their old time scale.

ANSWERS TO INQUIRIES
(*Continued from page* 711)

net profit of $416,329 as against a loss of $1,200,768 the first six months, and inventory deductions amounted to $1,524,000. At present the plants are running in full and it is reported that the company proposed to increase the daily production from 4,000 to 6,000 pairs of shoes. Balance sheet showed a working capital of over $8,000,000, and in view of this strong financial condition and improved outlook for business, we consider the stock should not be sold at the present market. The book value is around $45 a share excluding good will.

INTIMATE TALKS WITH READERS
(*Continued from page* 706)

take your *loss* if the stock goes against you a certain number of points. If your stop is 3 points (we use this as often as any other), it is your broker's duty to sell you out, when your stock declines 3 points from your purchase price, for the best price thereafter obtainable. You should ordinarily be able to sell ⅛ or ¼ below the 3-point loss price. If you buy Steel at 94 with a 3-point stop, you *stop your loss* to a maximum of 3 points by placing a "stop-loss order" (often called a "stop order" or "stop") at 91, or by saying simply to your broker, "Buy me 100 Steel at 94 with a 3-point stop." This means, when your stock is bought *you cannot lose more* than 3 points, plus commission for buying and selling, tax, stamps, and interest. It works out that way 99 times out of 100.

The buyer who reads this, however, can depend upon the stop-loss order working out most of the time; and if he buys only "with a stop" of from 1 to 3 points, he can never complain of calamity to his trading.

The stop works out this way. You buy your 100 Steel either at 94 or "at the market," we will say at 93¼, and decide that no matter what happens you do not want to lose more than 3 points. If at the time you bought your stock, you or your advisers or your brokers or friends were bullish on the immediate movement in Steel common, it stands to reason that if the stock drops thereafter to 91 there has been a reversal of form—it may be temporarily, but it might also be permanent. At any rate, having bought without a stop (if you do not use "stops") you would become confused, uncomfortable and decidedly in the air on a bad break like that; and you cannot always get in touch with your broker, your friends or anybody else who told you to buy it.

THINGS SMALL INVESTORS WILL FIND WORTH KNOWING

(Continued from page 695)

cause they make possible home ownership that could not otherwise be accomplished. While owning a home may not always make a good citizen, the man who becomes a home-owner is always a better citizen than he ever could have been as a floater. He gets a sense of proprietorship and responsibility that no other possession can give. The home-owner has a sense of security and independence that the renter can never have. The home gives relief from the monthly demands of the landlord, and the yearly misery of moving day. It relieves the mind of much worry and permits better work, a more healthful body, a cleaner mind and an active interest in community welfare. It is conducive to orderly arrangement, artistic environment, permanent and solid development. Home ownership is one of the first steps to prosperity and dependable citizenship.

The next step in the making of a reliable and progressive citizen is to become a capitalist: To own revenue-producing property or interest-bearing securities: To have an income entirely independent of the direct product of labor. This may be small or great, but it is highly important. It is the beginning of real independence and affluence. Building and Loan associations provide a way to begin. Every one who lives within reasonable reach of a well-managed association should make use of it.

Are Small Investments Worth While?

To those who have not considered the amazing increase of persistently continued small savings, the building up of capital from small beginnings may seem a foolish effort. An inquiry at the local bank, where you may or may not be a customer, or an evening spent in figuring what $20 a month over a period of twenty-five years will do if put into Building and Loan, will show that the possibilities are well worth the effort.

WILL THERE BE A REVIVAL OF THE GOLD MINIG INDUSTRY?

(Continued on page 704)

several of the Rand mines are reaching the end of their ore reserves, or operating conditions are becoming so difficult at deeper levels in lower grade ore, that it will not be long before they will be forced to discontinue.

A steady decrease is shown in the production of gold in Australasia, Canada and India. Large producing mines of the past decade are being worked out, and no new ore deposits are being found to take their place. Russia's production declined due to political causes, and is not likely to recover until a stable form of government is established.

Production throughout the United States continued to decline in 1921, for the reduction in cost of wages and supplies was not sufficient to turn the tide.

All of this indicates that gold production will probably continue to decline for the present, but on the other hand it is developing conditions that are fundamentally more and more favorable to the gold mining industry, and a growing need of gold will be followed by increasing demand, and consequent encouragement and stimulation for all legitimate and meritorious gold mining enterprises.

CRUCIBLE STEEL COMPANY

(Continued from page 685)

in the past several years has built up a very efficient plant organization and is in very different financial condition. When conditions improve in the steel industry Crucible should be able to show satisfactory earnings as it is the dominant factor in the high grade steel products line. Foreign competition is, of course, an important factor to consider and may have an adverse effect on the company's export business. In its home markets, however, the company should be able to hold its own.

Crucible Steel through purchases from time to time is well fortified in regard to its raw materials. It owns its own coal properties and this coal is delivered to its large western Pennsylvania plants by water direct from the mines, hence avoiding the possibilities of rail tie-up. The company is also practically self-contained in its pig iron requirements.

Conclusion

At present prices of around 58 the common stock has had a very substantial decline from recent high levels having sold up to 107½ in January, 1921. **In view of the likelihood that dividends will soon have to be omitted it would appear that the stock is none too attractive at even present levels.** There is no good reason why Crucible should sell higher than Lackawanna or Republic on its merits and the higher level is probably due to the fact that it is rather closely held and has been such a speculative favorite in the past.

The 7% cumulative preferred stock at present prices of around 83 yields 8.1%. There is $25,000,000 preferred stock outstanding and the annual dividend requirements are $1,750,000. In view of the fact that the funded debt of Crucible is only $6,000,000 (Pittsburgh Crucible Steel 1st 5s due 1945) there is very large asset value behind this stock and there would appear to be little doubt but that it will ultimately work out very well. At the same time with large inventories tying up its working capital and operations being conducted at a loss the dividend cannot be regarded as at all secure. Republic Iron & Steel preferred is in just as strong a position from an asset point of view yet it will be noted that the dividend on this issue has already been passed. Under these circumstances the preferred does not look particularly attractive for any immediate appreciation in value and quite probably anyone who desires to purchase for the long pull would do well to wait for a more favorable opportunity.

TRADE TENDENCIES
(Continued from page 703)

terests have again come into the market. The only backward consumers are the wire manufacturers who as yet seem fairly well stocked up.

The most significant feature in connection with the copper industry is the great improvement in the statistical position of the metal during the past year. This will be better appreciated from the fact that stocks in hand are now about 32% less than those existing at the beginning of 1921. With production held down as it will be during the next few months, copper stocks will once more be on a comparatively normal basis.

From a price viewpoint, copper metal is attractive as a purchase. It is doubtful now with consumption on the upgrade that the metal will again be obtained below 13 cents a pound. There are plenty of facts to support the conclusion that a broad upswing in copper prices will soon be under way that will carry the metal to a higher figure than that seen in 1921.

Other metals have recently shown promising signs of recovery. Zinc and lead have been particularly strong, zinc prices rising a little over those prevailing during the past two months. The zinc situation is considerably improved over that of a year ago and with operating costs reduced, the more important and efficient zinc companies should shortly be on a more profitable basis than for two years. Tin has also been strong in sympathy with London quotations but the large stocks still on hand lend a rather forbidding aspect to the statistical position of this commodity.

LIVESTOCK

Broad Advance in Prices

During the past few weeks there has been a distinct forward movement in the price of farm animals. Practically the entire livestock market struck the highest point in regard to prices since autumn. Hogs crossed the $11 mark. Lambs sold up to $16 and steers maintained their highest levels of around $9.50. When it is considered that these prices represent an average advance of 25% in the past few months, the improvement in the livestock situation will be appreciated.

Livestock interests are now displaying a genuine spirit of confidence in the market. This is indicated by the activity with which cattlemen are buying high-priced feeders.

The advance of approximately 25% in the value of livestock in addition to the rise in the price of other farm commodities such as wheat, corn, rye and cotton, has served to greatly relieve the agricultural population from their pressing financial problems. An increase of 25% in the price of all agricultural products would bring an additional $3.000.000.000 to the farmers. The increase of value in livestock alone—as computed on the basis of present prices

(Continued on page 737)

ANOTHER YEAR OF TRIUMPH FOR THE CHAIN STORES

(*Continued from page* 684)

advance in the price of the stock. From a low point of 10 in 1921, the stock had recovered to 31 by the close of the year. Some weeks ago it touched 39 and at time of writing hovers around 36. Despite the big upward movement the writer believes that at the present prices there is room for further appreciation. Paying regular dividends of $4 per share annually—and the dividends are cumulative—the stock should sell between $42 and $45 per share, or possibly better. The writer recommended its purchase to readers of this MAGAZINE last April when it was selling around $18 per share.

Considering the fixed dividend rate, the fact that the stock is entitled to the privilege of further participation in the profits, that there are eight dollars a share due for accumulated dividends and that the company's present and future outlook is very favorable, the Class A stock seems to hold out good prospects for advance in price. In the course of the next 60 days the stock will be listed on the New York Stock Exchange which will widen its market and intensify the interest centered in it.

United Drug Company

Slowly Recovering from the Effects of the Depression

United Drug seems to be the exception that proves the rule. It is the one prominent chain store organization that made itself conspicuous by its weakness in 1921. Unwelcome attention was first directed towards it when its presiding genius, Louis K. Liggett, got into financial difficulties. In the space of three days during last July, the stock broke nearly thirty points. Mr. Liggett, in a published statement, explained that the cause of his financial difficulties was the break in the market value of his stock and at the same time declared that the reason for the break in the stock was his financial difficulties. In other words, the cause was the effect and the effect was the cause, according to this explanation.

Pending and later developments made it evident that there were economic reasons for the decline in the stock. The company had incurred a rather heavy funded debt in June, and in September passed its common dividend. Apart from the personal equation these factors in themselves were of sufficient weight to cause a heavy depression in the stock.

The report for the year 1921 shows gross sales of $60,490,467 compared with $68,428,179 in 1920. These figures show a decline of about 12% in the dollar value of sales, but as prices were reduced some 20%, the actual physical volume of goods sold for the year appears to have been greater than in 1920. In the latter part of 1921 business was much brisker and helped materially to put a better complexion on the results for the year.

Net operating profits for 1921 are shown at $3,003,314 compared with $5,189,215 in 1921. From the 1921 profits are deducted $1,742,299 for interest on bonds and notes, $1,850,753 for inventory depreciation and $234,596 for taxes and miscellaneous adjustments, giving a deficit of $824,334 from operations for the year, instead of a profit. Dividends of $3,046,587 were paid during the year, which with the loss on operations reduced the surplus from $4,745,188 at the beginning of 1921 to $874,265 at the end. These results justify the decline in the stock, which moved in anticipation of them.

Bank Loans Eliminated

With the exception of the fact that the surplus has decreased, the condition of the company at the end of 1921 was much stronger than at the close of the previous year. Total current assets were $25,151,923 contrasted with current liabilities of $5,170,105 leaving the company with working capital of $19,981,818 compared with $8,839,570 at December 31, 1920. Inventories were reduced from $23,115,848 to $13,608,331, and as a result of this liquidation, together with the proceeds of $12,250,000 of twenty year bonds, the notes payable were reduced from $18,410,579 to $726,000. While the company has burdened itself with a long term funded debt, bearing a high rate of interest, it has strengthened its position through ridding itself of its bank loans.

In 1920 the company earned $3,797,997, equivalent, after preferred dividends to 8.81% on its stock. In 1919 it earned $5,275,004 or 14.45%; in 1918 the earnings were $4,579,922 or 17.50% and in 1917 were $3,156,007 or 10.40%. It is fair to assume that the company will regain part at least of its earning power in 1922, as further extensive price cutting is unlikely. Economies are being put into effect and everything is being done to keep expenses down to the minimum.

Interest of $1,200,000 annually on the funded debt will make a rather heavy drain in the earnings and substantially diminish the profits for the common shareholders. This fact considered with the necessity of building up its surplus which now stands at only $874,266 with common stock of $34,505,000 outstanding makes the resumption of the dividend unlikely for at least eighteen months. To pay interest charges, preferred dividends, and 8% on the common requires about $5,200,000 annually, and this so far has about marked the limit of the corporation's earning power. Before the company would be at all justified in resuming the old 8% dividend rate it would have to show earnings of at least $6,000,000, so that if the stock is again put on a dividend basis in the course of the next eighteen months or two years, it will probably be on a lower basis than 8%. Of course, if the earnings set new records, matters take on a new light, but even with exceptional earnings conservative policy does not call for dividends before the period specified.

Conclusion

From a high of 106 in January, the stock touched a low of 46¼ in September; from whence it has recovered to 63½, its level at time of writing. An investment trust has been formed to permit Rexall store proprietors to acquire larger holdings of United Drug Common through purchase on the installment plan. Since there are about 10,000 Rexall agents, the buying emanating from this source ought to add strength to the technical position of the stock.

At 63½, United Drug does not appear to offer the profit possibilities of either Kresge or Woolworth. There is little doubt but that the company will show a good earning capacity in the future, but for the reasons outlined it will be some time before the common stock gets back to its former position.

INQUIRIES ON NEW SECURITY OFFERINGS

(*Continued from page 676.*)

collaterally secured by either first farm mortgages or United States Government bonds or certificates of indebtedness. These banks operate under Federal charter and Government supervision. Their bonds and collateral pledged as security have been approved by the Federal Farm Loan Board, a bureau of the Treasury Department of the United States Government.

These bonds are exempt from Federal, State, Municipal and local taxation and are legal for trust funds.

By act of Congress these bonds were declared instrumentalities of the Government of the United States. By a decision of the Supreme Court of the United States the Constitutionality of this act and the tax exemption features of these bonds were fully sustained. An amendment to the original act of Congress creating the Federal Farm Loan System has been passed which permits until July 1, 1923, of the issuance of bonds bearing interest at the rate of 5½%.

The Dallas Joint Stock Land Bank 5½% bonds due Nov. 1, 1951, optional Nov. 1, 1931, are offered by Halsey, Stuart & Co., 49 Wall Street, New York, at 104.50 and interest to yield 4.90% to the optional date and 5½%, thereafter. The California Joint Stock Land Bank 5% bonds due Nov. 1, 1951, optional Nov. 1, 1931, are offered by the same firm at 101.50 and interest to yield 4.80% to the optional date and 5% thereafter. The Des Moines Joint Stock Land Bank 5½% bonds due Nov. 1, 1941, optional Nov. 1, 1926, are offered by the same firm at 102.45 and interest to yield 4.90% to the optional date and 5½% thereafter.

STATE OF MISSOURI 5s

For a tax exempt bond, how do you regard the State of Missouri gold bonds due serially up to 1932.—W. W., Atlantic City, N. J.

The $15,000,000 State of Missouri 5% gold bonds are free from all Federal income tax. They mature $1,500,000 each year from 1928 to 1932. They were recently offered by Estabrook & Co., 24 Broad street, New York, and 15 State

street, Boston, on a basis to yield 4.50% for the early maturity and 4.375% for the late maturity.

This issue was authorized under an amendment to the State Constitution passed by an election and by an Act of the Legislature. The bonds are designated as "World War Soldier Bonus Bonds" and the Act authorizing their issuance provides for an annual tax levy to pay the principal and interest of these bonds. The legality of this issue has been upheld by unanimous decision of the Supreme Court of the State.

Missouri ranks ninth in population and eighteenth in area in the States of the Union. These bonds are legal for savings banks and trust funds in New York, Massachusetts, Connecticut and other states.

The last financial statement of the State as officially reported is as follows: Assessed valuation 1921, $4,920,926,179—Certificates of indebtedness $4,398,839; total bonded debt including this issue $16,200,000.

These bonds are entitled to the highest rating in our opinion and make an attractive tax exempt security at the price offered.

WHY ELECTRIFICATION OF RAILROADS WOULD INCREASE PROFITS

(*Continued from page 679.*)

city in the world. It increased the road's equity in New York real estate by many millions of dollars. For almost thirty years Niagara Falls has been producing electricity in volume sufficient to electrify the New York Central system from pillar to post, but true to the old time tradition the road sticks to the costly locomotive.

The Pennsylvania Railroad is also electrified for a few miles, just enough to get it into New York under the Hudson River and its Long Island lines. This road too owns valuable New York real estate which has been vastly enhanced in value by the building of its magnificent terminal. If it would sell some of its New York real estate and put the proceeds into electrification of its lines to Philadelphia it would be doing its patrons a real service and would be able to save large sums that now go for labor and fuel. It is labor and fuel that cost the railroads 75% of their operating expenses.

The world's greatest, the world's most progressive railroad, the one road that is making history among American railroads, is the Chicago, Milwaukee & St. Paul, which has 649 miles of its main line electrified. On this stretch of road, which is but a fraction of the road's mileage, forty-five electric locomotives have replaced 120 steam locomotives and they are doing the work a great deal better and more economically than the steam locomotives did it.

The juice for this electrified section is supplied by hydroelectric power plants. Electric operations saves 259,000 tons of coal per annum and 31,700,000 gallons of fuel oil, for some of its locomotives were oil burners previous to electric installation. If this road would continue the electrification for the full distance from Chicago to the Pacific Coast it is a good guess that freight rates would come down to a point where boat shipments would cease. The chance traveler to the Pacific Coast would inevitably specify the St. Paul road.

One Million Volts

The prize awarded for the greatest advancement in electricity for 1921 was for the recently perfected million volt transmission line. A million volts of electricity can now be sent over a copper wire one thousand miles, and because of its high voltage the juice follows the wire and does not ooze off into space as it shows a disposition to do on lower voltages. There is said to be 50,000,000 horsepower in the rivers of this country which can be developed by hydroelectric power plants, enough to operate all our railroads and with many, many millions of horsepower to spare. The New York Central lines, the New York, New Haven & Hartford and the Boston & Maine lines can get all the juice they want from Niagara Falls and the St. Lawrence River to operate every last mile of their systems, and this electricity will come from inexhaustible sources, from water power which never fails.

But the process of evolution is slow. Changes do not come over night. Today many able railroad managers are quick to say that general electrification of our railroads is impracticable, but all are ready to admit that the day is coming when all railroads will be electrified. The railroad presidents, the engineers and firemen, know that electrification is coming some day, somehow. It may be that there are members of the Big Four Brotherhoods who will fight electrification because they believe it will throw some of their members out of a job. But the more intelligent of their organizations cannot fail to see that greater speed, greater economy, greater capacity, greatly lessened cost of operation is going to bring the railroads greater business, and greater business means jobs for every one.

The New Book Letter

WHAT JAPAN WANTS—By Yoshi S. Kuno.

A book liks this, coming at a time when Japanese diplomatic relations with the United States are occupying men's minds, is certainly timely. The book aims to set forth plainly, and without bias, what Japan wants both at home and abroad. The need of an outlet for the excessive population is pressing, and to this problem, Dr. Kuno, a native Japanese, who is connected with the University of California, offers his solution. With the 1920 census telling us that there are now 111,000 Japanese in this country, 72,000 in California alone, and that this is an increase of 50% over the figures of 1910, we cannot afford to let any opportunity of gaining information on this subject pass unnoticed. Price $1.10.

February 8, 1922

Report to Associate Members
Richard D. Wyckoff Analytical Staff

CONSOLIDA ED GAS COMPANY.

The recent action of Board of Directors in delaying the payment of the ular quarterly dividend on Consolidated Gas capital sto eems to have been done for the purpose of accumul the shares at lower levels. There was absolutely no ification for the delay, and subsequent action indica that the directors had no intention of passing the idend at all.

The report of the company for the year 1921, s w-ing a deficit of $2,979,537 after interest char and taxes, was misleading to anyone not familia with the real situation in regard to the year's operations. This deficit was reported on the basis of an 80¢ gas rate for the entire year, whereas the company was really charging anywhere from $1 to $1.50 per 1,000 cubic feet at different times during the year. The money received from charges in excess of 80¢ was impounded, and not included in the year's earnings. The money impounded amounted to approximately $13,000,000, or the equivalent of $13 a share on the capital stock.

We do not make any predictions as to the decision of the Supreme Court in regard to the rate the company may properly charge, but we venture to say that at least 50% of this amount will be allowed the company with considerable possibility of the entire sum being turned into the company's surplus account.

Another fact, which is probably more widely overlooked even than the above, is the method of reporting earnings of the company. The reports never fully reflect its real earning power Its subsidiary gas and electric companies pay regular dividends on their outstanding capital stock, and the dividends received from these companies are shown in the report of the parent company. But earnings in excess of dividend requirements are placed in the surplus account of each subsidiary company, and are not shown in the report of the Consolidated Gas Co. at all.

In recent years the gas companies as a whole have not reported earnings in excess of dividend requirements, but in the case of the N. Y. Edison Co., earnings have always been considerably in excess of the regular 7% dividend. The report of the N. Y. Edison Co. for the year 1921 will probably show earnings at the rate of over twice the regular 7% dividend. On Dec. 31, 1920, this company had an accumulated profit and loss surplus of over $10,000,000.

The N Y. Edison Co. has just declared an extra dividend of $2 a share, which will bring an additional $1,734,826 into the income account of the Consolidated Gas Co. This will still leave a large deficit, after common dividends, but as just shown, only a deficit so far as the earnings of the Consolidated Gas Co. are concerned. If the N. Y. Edison Co. had paid over to the parent company all its earnings for the year 1921, and the company had received 50% of the money impounded, instead of showing a deficit Consolidated Gas would have shown a balance of $10 a share earned on the capital stock.

These figures tell the story of the real earning power of the Consolidated Gas Co., and indicate very clearly what little chance there is of any default in the regular dividend payment, so long as there is such a large undistributed equity in the earnings of its chief electric light subsidiary company. Consolidated Gas is as sound an investment security today as ever, with just as excellent prospects for enhancement in value.

We believe that the Supreme Court decision will insure the company a fair return on its invested capital, and that the old 80¢ gas rate will be declared confiscatory. We believe the security will advance to considerably higher levels as soon as the many political moves to injure the company in order to secure personal gain are thus silenced. The Supreme Court decision should do this.

March 8, 1922

★STANDARD PLAN RECOMMENDATION.

As a result of the favorable decision of the U. S. Supreme Court, the price of Consolidated Gas has since risen to 106½, and at this writing it is about 104½.

Upon our advice Associate Members originally purchased this stock September 2, 1921, at a price of about 87; hence they have approximately 17½ points profit.

While we believe that the price of Consolidated Gas will eventually advance further, we d lire, our well-tri

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probal of the general conference.

Among other causes contributory to the strength in foreign exchange, is speculative repurchasing, as it is known that a very large short interest has been existing in these exchanges for a considerable period. Also, there is, no doubt, a considerable amount of investment buying of foreign exchange. Altogether it looks as if the foreign exchange situation had definitely improved, and interesting developments of a constructive nature may be anticipated within the next few months.

ABOUT BANKS AND BANKING
(*Continued from page* 672)

dustries under suddenly altered conditions. They have had to adopt new ideas that stand for progress, like the buying of bankers' acceptances. In addition, they have been forced, by the consciousness of the country's altered status, to take intimate cognizance of international affairs, and to help arouse the whole nation to a sense of our vital concern with Europe, of the dependence of our prosperity upon restored foreign markets.

"It is probable that no problem so difficult has ever confronted the thoughtful financier as now demand solution—our precise relation to the old world which owes us millions, on which we must rely for much of our continued commercial progress, yet much of which is now in economic chaos. It is no longer a theoretical matter: while each nation must naturally work out its own future, on the soundness of our policies will largely depend the speediness and permanence of the restoration.

"How seriously the more far-seeing men in the profession are laboring at the problem is evident on every side. It requires no prophetic powers to predict that the next decade will be one of the most significant and instructive periods in the whole history of American finance."

Bank Stocks as Investments

Bank stocks offer an ideal investment medium.

They combine an unusual degree of safety with good income return. In the bargain, they offer special opportunities in the shape of special and extra dividends; also in the way of stock dividends.

At the present time, a review of the list of active bank stocks, at current prices, shows some of the issues selling out of line with others. A particularly good opportunity seems to exist in National Park Bank shares.

The National Park Bank, which is one of the oldest institutions in New York, is also one of the most conservative. The bank does a strictly commercial banking business.

Dividend payments on this issue have been very good over a period of years. In 1920, besides the regular 24%, an extra 10% was paid; last year an extra of 6% was paid. In January, 1922, no extra disbursement was authorized. Nevertheless, on the regular dividend rate of 24%, the stock offers an income return of almost 6%.

Based on condition as of December 31st, last, the issue had a book value of $329, comparing with a current market price around $400.

The National Park has a capital of $10,000,000. Its Surplus and Profits total $22,894,300. The total deposits as of December 31st amounted to well over $159,000,000.

Another issue that seems to be selling out of line is the Bank of America. This issue sells in the neighborhood of $180. The book value as of November 15th last, has been figured at $206. The current dividend rate is 12%. Here, then, is a bank stock offering a straight yield of 6.6%, which is selling substantially below its book value. Close students of the bank stock market point to this issue as one of the most attractive opportunities in this list.

WHITE OIL CORPORATION
(*Continued from page* 701)

shown herewith, demonstrates that the new White Oil will be in a position to engage in the now stabilized oil market to a far more active extent than it could before.

Regarding the earnings of the combined properties, it has been officially stated that, at the close of last year, they were at the rate of $120,000 per month, or $1,440,000 a year, before depreciation, depletion and Federal taxes. These earnings, it is believed, should be considerably augmented by the campaign of development which the company contemplates, and it is estimated that, for the current year, they will total not less than $3,000,000, based on oil at present prices.

The acquisition of United Oil does not call for the outlay of any cash on White Oil's part. The property has been obtained from the United Gas & Electric Corporation for the following considerations:

(1) $1,500,000 8% cumulative convertible preferred stock, consisting of 150,000 shares of $10 par value, callable on any dividend date at 115%, on 60 days' notice. Convertible into White Oil Corporation common stock at $20 per share.

(2) 170,000 shares of White Oil Corporation common stock.

(3) Option for one year on 100,000 shares White Oil Corporation common stock at $15 per share.

It was also decided to offer 102,186 additional shares of common stock, without par value, for subscription at $10 per share to registered shareholders as of March 9, to the extent of 15% of their respective holdings. Anyone availing himself of this offer shall have, in addition, an option on an equivalent amount of common stock at $15 per share, good until March 1, 1923.

President White believes that, with the funds provided for development purposes, such progress in the affairs of the corporation will be shown that the two options referred to, totaling 202,186 shares at $15 per share, will be profitably exercised before the end of the year. With any improve in general business conditions and demand for oil, these options might prove very valuable.

In addition to the immediate enlargement of the company's outlook, resulting from the acquisition of United Oil, there is reason to believe that further developments of consequence will occur later. The company has doubled its authorized capital stock for the express purpose of permitting expansion. Eventually, White Oil is destined to become a very much larger organization.

Under the circumstances, shareholders in the company would do well to support the present move.

DETROIT EDISON CO.
(Continued from page 697)

size. The Marysville plant when finished will add 40,000 kilowatts to output if operated at capacity thus making Detroit Edison Co. one of the largest producers of electric energy in this country.

Despite the rapid increase in output, particularly the past four years, demand for power has kept plants running practically at capacity. Factories located in or near Detroit use electricity almost exclusively. Use of electricity for domestic lighting is almost universal in the territory.

Dividend Record

The capital stock enjoys an unbroken dividend record since 1909. Dividends were inaugurated at the rate of 2% semi-annually the latter part of 1909 and increased to 5% annually in 1910. In 1911, 7% was paid and in January, 1916, rate was increased to 8% and has been maintained since then. Based on past earnings and future outlook there appears to be no reason to doubt the ability of the company to maintain the present rate of dividend.

Gross and Net Earnings

Showing gross and net earnings after interest on funded debt and depreciation and amount earned per share on stock since 1915.

	Gross	Net	Amount Per Share
1915.....	$7,759,932	$1,848,658	$13.68
1916.....	10,066,786	2,717,413	13.72
1917.....	12,279,926	2,635,848	10.26
1918.....	13,801,527	2,394,224	9.31
1919.....	16,498,391	2,556,735	9.93
1920.....	21,990,352	2,070,937	7.49
1921.....	23,382,898	2,850,170	10.18

Funded Debt

Roughly, the capital structure of the company as of December 31, 1921, was divided into three classes: $48,984,000 mortgage bonds, $15,314,800 convertible debenture securities and $28,012,700 capital stock. Of the total of $48,984,000 mortgage bonds outstanding, $10,000,000 were 5s maturing in 1933 and constituted a first mortgage on properties including acquisitions but excluding the Conners Creek plant and water power rights on the Huron River and adjacent transmission lines. This issue is considered a high grade investment and recently sold on the New York Stock Exchange around 96.

Included among mortgage bonds are $16,665,000 first and refunding Series A 5s and $18,319,000 Series B 6s issued under the same indenture and maturing in 1940. Bonds are a direct obligation and are secured by first lien on the new Conners Creek plant. These bonds are also considered a good investment issue and are traded in on the New York Stock Exchange. Series A 5s are now selling around 93 and Series B 6s around 100.

Convertible Issues

In addition to having a good investment rating, the debenture bond issues have the additional feature of being convertible into the capital stock at par. Any

appreciation in the market value of the stock should be reflected in higher prices for the debentures. In this connection it should be borne in mind that they are callable at a stated price which detracts somewhat from the convertible feature. The stock has sold as high as 150 a few years ago. One of the convertible debenture issues which appears attractive is the $5,503,500 7% convertible debentures maturing in 1930. They are convertible into stock at par after March 1, 1922, and up to September 1, 1929. They are callable at 105 and interest. Any increase in the market price of the stock should be reflected in higher prices for this issue though after March, 1924, a great deal would depend on whether the bonds were likely to be called.

The Capital Stock

Selling around 107, the 280,127 shares of capital stock (par value $100) listed on the N. Y. Stock Exchange, appear attractive as offering stability of dividend return together with possible enhancement in value assuming public utility stocks continue to improve. At 107 the stock gives a return of slightly in excess of 7%.

A LOGICAL SWITCH

(*Continued from page 702*)

maintained the finances in a highly liquid condition. The tendency has been strongly towards undervaluation of holdings.

Earnings have undergone a consistent improvement. Gross profits, and surplus available for dividends in the 1912-1920 period have varied as shown in the accompanying table.

Anglo-American's capitalization consists of the $15,000,000 notes referred to above and an authorized £5,000,000 each of 8% cumulative preferred stock and ordinary shares. At the time the preferred stock was authorized, it was expected that the company would market the issue, following the example of Standard Oil of New Jersey, Atlantic Refining and Union Tank.

Since the preferred was authorized, however, the company has reduced the dividend on its common shares. In January of this year, a dividend of one shilling was paid, as a semi-annual disbursement, contrasting with a dividend of three shillings for the same period of the previous year. The assumption follows that the company's contemplated financing proved unnecessary, and that it was able to meet the situation by means of the dividend reduction.

Anglo-American stock, at this writing, is available at a comparatively low level. Contrasting with a high of 37 in 1919, the issue is now selling at around 17½.

Conclusion

Holders of Atlantic Gulf & West Indies common at around 25 who switch into Anglo-American at the prevailing price will be switching from a speculative issue into a good oil investment. Incidentally, it needs to be shown that they would forfeit any speculative possibilities by the transfer.

TEXAS PACIFIC COAL & OIL CO.

(*Continued from page 700*)

eral years as head of the Illinois Pipe Line Company which was formerly owned by the Ohio Oil Company (Standard Oil). The Illinois Company built a number of lines in the Wyoming fields and as a result of this Mr. Penn became Vice-President of the Midwest Refining Company in charge of the producing end of the business. From that position Mr. Penn resigned to go with the Texas Pacific Company.

The trouble with Texas Pacific has been that the value of the property was greatly overestimated, not alone by the management but by the most prominent and experienced oil interests in the world. Whereas the stock at one time sold for $120,000,000 it subsequently declined to less than $14,000,000 and is now valued in the market at approximately $22,000,000. The present valuation may be too low but there is no doubt that it more nearly represents the value of the property than the high prices reached in 1919.

The record of the company in the past year or so would have been more disappointing except for the developments on the Stephens County properties. In this district a real oil sand has been found and the production has held up much better than on the Ranger properties. The development of this acreage has enabled the company to maintain its production at a very satisfactory level. The net production around the close of 1921 was about 10,000 barrels a day and only a small amount of development work was being carried on which is indicated by the fact that on September 1, 1921 the company was drilling only 9 wells for its own account.

In addition to the decline in production and the high operating costs the earnings have been affected by the condition of the general oil industry which was reflected last year by a drop in the price of Mid-Continent oil from $3.50 to $1.00 per barrel. Whereas the company was able to make a profit on $3.50 oil, it is doubtful if $1 covered the actual cost of production.

Conclusion

At the present time the outlook for the stock depends largely upon general oil conditions. It is always possible that there may be unforeseen developments which would open up new possibilities for the company's development but these cannot be given serious consideration in an attempt to analyze the outlook for the stock. Regardless of temporary conditions it appears reasonable to look for higher prices for crude oil and this should enable the Texas Pacific Company to show increased earnings and would warrant the company's conducting more extensive development operations which would probably increase the production, as the company still has a large undeveloped acreage. The stock, therefore, seems to have possibilities of eventually recovering somewhat further from present levels although there is no reason to expect the stock to have another boom.

ANSWERS TO INQUIRIES ON PUBLIC UTILITIES

(Continued from page 698)

dividend paid on this stock in the current year. One reason for this is that the company is not in a particularly strong financial condition. The consolidated balance sheet as of December 31, 1920, showed a working capital of only $432,365.

Shaffer Oil & Refining has a production of about 3,000 barrels daily and with the good management of Standard Gas & Electric behind it, we believe that this company will prove to be an asset rather than a liability. Our suggestion would be that you hold both the common and preferred stock for higher prices.

INTERBOROUGH R. T. 1st 5s.
Outlook Improved

What is your opinion of Interborough Rapid Transit 1st 5s and Pacific Gas & Electric 6s due 1941, some of which I hold.—A. N. L., Miami, Fla.

We are very much impressed with the outlook for Interborough Rapid Transit, 1st 5s. President Hedley recently announced that the company was earning its fixed charges and as the traffic is increasing and operating costs coming down, we believe that these bonds are working into a stronger investment position and that they have an excellent chance of advancing from present levels.

UNITED RAILWAYS INVEST. 5s
A Desirable Bond

I have a $1,000 bond of United Railways Investment collateral trust 5% of 1926 purchased a year ago at 69½. It is now selling about 83. Do you advise selling? Is this not a good business man's investment worth holding for maturity?—C. M., Springfield, N. Y.

United Railways Investment 5s, 1926, we regard as an excellent business man's investment worth holding until maturity. Conditions have greatly improved for this company and we regard the outlook as decidedly favorable.

HIGH GRADE BONDS
A Diversified List

I have $25,000 of National Car Wheel Co. 6% 1st mortgage bonds which mature Sept. 1, 1923. At the present time I can sell these bonds for par. I prefer to reinvest this money in bonds rather than preferred or common stock. What would you recommend in the way of high grade bonds that give a fairly high yield?—M. A. C.—Cleveland, O.

In view of the early maturity of the National Car Wheel Company 6% bonds, we think it would be well to dispose of them if you can do so around par and take pleasure in giving you below a list of what we believe will answer your purpose.

$2,000 Kingdom of Sweden 6s 1939, price 97¼, yield 6¼.

$3,000 United Kingdom of Great Britain 5½s 1937, price 99, yield 5.65.

$3,000 New York, Chicago & St. Louis First Mortgage 4s of 1937, price 81, yield 5.90.

$2,000 Cosden & Co. 6s 1932, price 99½, yield 6.08.

$3,000 Pennsylvania Gen. Mortgage 4½s of 1965. price 87, yield 5.25.

$3,000 Armour & Co. Real Estate 4½s, price 88½, yield 5.55.

$2,000 Philadelphia Company 6s of 1944, price 94½, yield 6.50.

ANTI-BUCKET-SHOP LEGISLATION

(*Continued from page 666*)

them to the District Attorney, or, if for any reason, the District Attorney cannot procure the books, these crimes will go unpunished. That we permit such a condition to prevail is a disgrace. The brokers stand in a confidential relationship with their customers and common honesty requires that they should not do the things that they are accused of doing and, yet, the law many times is powerless to punish them when they violate, not only the principles of common honesty, but the penal laws relating to their conduct.

"For a long time, banks and insurance companies enjoyed this immunity. Then incorporated banks were brought under governmental control, and insurance companies brought under governmental control. During the memory of most of us, private bankers were brought under like control in this state and now that the bankers, whether private or incorporated, or an insurer violates the law, the appropriate state or governmental department takes control and the books are used against the offender. In addition, frequent visitations of insurance companies by the State Superintendent of Insurance and frequent visitations of banks by the State Superintendent of Banks, prevent the recurrence in insurance or banking circles of the conditions that have manifested themselves each day in the offices of brokers in this county.

"Why should brokers have any greater immunity than bankers or insurers? Is there any sanctity about the brokerage business which should make the broker immune from prosecution when he steals from his customer any more than there is about a banker which should make him immune from prosecution when he steals from his depositor? In fact, the law holds that the relationship of depositor and banker is that of creditor and debtor and by statute creates crimes growing out of that relationship. While each of the crimes of which brokers are accused, and which are enumerated above, is indictable under the common law relating to larceny. In other words, most of the crimes that bankers commit against their depositors are crimes created by statute, whereas, the crimes which brokers commit against their customers are acts which under the laws of nature and society are considered immoral and criminal and yet, we have taken away from the banker his right to fall behind the constitutional privilege that his books should not be used against him and hesitate to enact laws for like protection to those who deal with brokers.

"Recently I called upon the exchanges to take it upon themselves, until proper legislation could be passed, to make frequent visitation of their members and require, as a condition precedent to membership, that each member should permit his books to be open to the District Attorney for use in prosecution of such member in event that the books reveal criminal conduct. This suggestion was received with holy horror. Yet, it is a suggestion based upon common honesty.

"We must have laws which will safeguard the customer of the broker just as we now have laws which safeguard the depositor and insurer.

"I have received in the last two months letters from persons in nearly every state in the Union asking that protection be given them against the crooked conduct of those who act as brokers in New York County. New York is the center of the financial interests of the world. We must make New York safe for the investor. The demand that it be made safe is imperative and the people will not be stilled much longer.

"This statement is reflected in a bill now pending before the State Legislature to forbid trading in securities on margin and trading in other commodities, such as cotton, grain, etc., or futures. Such a bill, if passed, would destroy the exchanges and take from New York its financial supremacy. But such a bill only reflects the struggling of those who have been defrauded and are seeking protection. If remedial legislation is not passed, by those who are friendly to New York's financial supremacy, then radical legislation will come from its enemies. I am appealing as a friend of financial New York to all of those who believe in the financial supremacy of New York to rally to such legislation as will keep our markets clean for those who wish to invest and which will drive from our markets the crooks and criminals."

ALLIS-CHALMERS MFG. CO.

(*Continued from page 688*)

tion of the company is only $42,500,000, it can be seen that the working capital is remarkably large.

The Common Stock

At present prices of around 47 the common stock has had a very substantial advance from low prices reached in 1921, when it sold down to 28¼ and has to a certain extent discounted the improved outlook. As a matter of fact it is now selling rather close to its record high price of 53⅞ made in 1920. During the inflation period with conditions unusually favorable as to prices and demand, the company in its biggest year 1918 did not earn more than 11.62% on the common. Earnings for the next few years can hardly be expected to show up as well as in this boom period and it would appear that at present levels the stock does not possess unusual possibilities.

The $16,500,000 7% cumulative preferred stock is in an unusually sound position. Working capital of the company alone is equal to about $156 a share and as there is no funded debt this is the first security of the company. **The large asset value behind the preferred and the fact that the management has proven itself to be of the decidedly conservative variety would appear to justify a very high rating for the stock. At present price of 92 the yield is 7.6% and it can be regarded as a very attractive business man's investment.**

BUSINESS MOVING TOWARD PROSPERITY

(*Continued from page* 670)

nothing that constituted so serious an obstacle to recovery as the fact that the farmer, although getting an inadequate return for his crop, was obliged to pay a more than adequate return for many classes of manufactures in which prices more nearly approximating those of the war period had been maintained. Notwithstanding disturbances inevitably resulting from such readjustments of the price relationship, the fact that the general level, as already stated, has remained stable and that the changes have resulted in a better internal adaptation of values, are undoubtedly hopeful factors in the economic outlook.

Improvement of Borrowing Power

It would naturally be expected, in view of the better conditions of industry and the more hopeful outlook for trade, that there should be a decided improvement in the borrowing power of corporations. This is indicated by the current values of bonds of all classes in which there has been a very general and marked increase during the month. The situation is reflected in the graph showing the index of corporation credit. In practically every branch of the securities market prices are higher now than they have been for a great while and such reactions as have occurred have been temporary only. It must be admitted that this improvement is in no small measure due to the greater confidence in business prospects that is generally felt.

The fact that many of the heavy losses of 1921 have been written off, and that not a few of the principal industrial concerns are beginning to take orders ahead in large volume lays foundation for a stronger borrowing power than they have lately enjoyed. In addition, it is to be remembered that the decline in the activity of business during the year 1921 has left a considerable amount of spare funds available for investment purposes. The shrinking of the portfolios of the banks, notably seen in the falling off of bills held by the Federal Reserve Banks, has now been carried to a very advanced stage, and although seasonal reaction is noted from time to time, it may be doubted whether the general downward movement has been fully completed or not.

At the member banks it probably has been, but prior to the revival of commercial borrowing there was a very large amount of saved funds available for investment. These are responsible for the demand which is making itself felt with respect to corporation securities. Commercial paper has shown no decided change in its level, remaining stable as the graph shows at 4⅞ to 5 per cent, with time money not far from the same figure. Call money has fluctuated during the month around 5 per cent, being frequently as low as 4¼ and often as high as 5½ to 6 per cent. Speculative loan funds would have gone to a lower interest rate undoubtedly, had it not been for the many attractive forms of offerings, both long or short, on which a good rate of interest could be secured and which must be regarded as having a fairly high degree of liquidity

since many of them could readily be used as a basis of borrowing at banks.

Activity of Trade

An unsatisfactory element in the present situation often referred to in current discussion is the fact that activity of trade has been smaller in some degrees during the past thirty days. Both in wholesale and in retail trade there have been recessions. The volume of buying power has been smaller and collections have been poorer than for some time hitherto. This is the result of the agricultural depression of last autumn carried over into the present season. It is also partly the result of unemployment in some regions and the exhaustion of savings on the part of workers who have not been able to replenish their funds. It naturally tends to render retail trade less satisfactory than it was during the latter part of 1921 at a time when general business was much better than it is today.

That the condition is temporary is plainly to be inferred from the fact that so general an improvement in manufacturing and production generally is in progress. The activity of bank credit, which is taken as an index of the volume of buying, is thus acted upon by two forces—the one, favorable in that there is a stronger and better use of credit in large scale industry; the other, unfavorable in that there is a less active retail buying power on the part of the consumer. The net result has apparently been to reduce the turnover shown by debits to individual account, January figures being $35,000,000,000 as against $38,000,000,000 in December. The tendencies thus indicated are apparently continuing at the present time. They may be expected to reverse themselves as soon as the movement of commercial borrowing at banks assumes larger proportions and as soon as the activity of retail trade is restored.

Foreign Trade Still Doubtful

The foreign trade situation still shows signs of recession, our export balance for January having been greatly reduced as can be seen from the accompanying chart. This reduction in export trade was not only considerable, as indicated by the dollar value of goods, but was also of not little importance as indicated by the quantity of goods shipped. Both factors tend to show that conditions are by no means readjusted in our relations with foreign countries. We are still unwilling to finance our shipments abroad, a fact which necessarily tends to give other countries far more liberally the advantage of us. In some lines also our prices are still too high to permit of effective foreign competition. The real trouble, however, is found chiefly in the inability to finance trade. While there has been some improvement in the amount of credit extended by certain of the larger banks, this improvement has not gone far enough to produce any general alteration in the outlook.

The advance in exchanges gives promise of a more stable situation in exporting and to that extent should help us to recover our foreign market. Values of sterling, francs and some other currencies have reached high record levels for this movement and in spite of temporary recessions have maintained them very well. Nevertheless, these changes in the value of for-

eign currencies have not yet had time to influence the actual conditions of competition between American and foreign producers, so that the foreign trade outlook still remains by far less satisfactory than the domestic.

Conclusion

A general survey of existing conditions leaves the unmistakable impression that there has been notable improvement within the past two or three months in general business conditions and that this prospect has been confirmed and strengthened within the past thirty days. The financial community is stronger than at any time in the past, while industrial activity is steadily working back towards normal. Restriction of buying is not only the result of past unavoidable conditions but is obviously temporary. Foreign trade continues as a permanent problem and the restoration of full prosperity cannot, of course, be expected until some definite outcome arrived at.

MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N.Y.Times 50 Stocks High	Low	Sales
Monday, Feb. 27	77.07	84.58	78.52	73.71	72.24	1,158,911
Tuesday, Feb. 28	77.11	85.45	78.66	73.20	72.17	800,908
Wednesday, Mar. 1	77.31	85.33	77.99	73.45	72.44	890,521
Thursday, Mar. 2	77.35	86.03	78.31	73.32	72.51	758,584
Friday, Mar. 3	77.45	86.46	78.10	73.74	72.84	872,821
Saturday, Mar. 4	77.40	85.91	77.79	73.20	72.61	440,370
Monday, Mar. 6	77.45	86.30	77.21	73.02	71.85	792,703
Tuesday, Mar. 7	77.37	86.90	77.87	73.19	72.34	665,265
Wednesday, Mar. 8	77.43	86.23	77.99	73.02	72.05	778,031
Thursday, Mar. 9	77.48	86,95	78.53	73.65	72.80	848,192
Friday, Mar. 10	77.55	87.19	78.68	74.01	73.31	825,777
Saturday, Mar. 11	77.50	87.93	78.83	74.03	73.47	563,378

DELAWARE & HUDSON R. R.

(*Continued from page* 681)

Figures for 1921 are not yet available, but indications are that they were considerably under the 1920 total, but still substantially above what may be called the pre-war level.

There is no way of telling whether or not Delaware & Hudson permanently has increased coal tonnage or whether a gradual decline to the pre-war levels will occur. In this connection it might be remembered that when the road was hauling from 10,500,000 to 12,000,000 tons of coal it was earning from 12½% to 14½% upon the common stock, and if a return to pre-war tonnage totals should ultimately result there need be no concern over the earning power of Delaware & Hudson, if operating conditions revert to the same basis, and if this latter is not going to be the case, why discuss or recommend any railroad property whatsoever.

During the war period a greater proportion of Delaware & Hudson's freight traffic was in coal than in the years immediately preceding the war, but the change was not great enough to indicate any unusual adjustment of traffic conditions. Notwithstanding the increase in the proportion of coal traffic the ton mile rate was almost 50 cents larger in 1920 than it was in 1915, 1916 and 1917, a reflection, of course, of higher freight rates. There may be some decrease in the ton mile rate during the next year, but if so it will probably be accompanied by a decrease in the cost of business, which, of course, will be the offsetting advantage.

In addition to its ownership of coal properties, Delaware & Hudson has a substantial interest in traction lines, principally in and around Albany. This traction investment is given a balance sheet value of approximately $15,000,000, but in recent years has not been a paying investment—that is, paying in the shape of income to the proprietary company. For instance, the revenues of the United Traction Company, which operates in Albany and surrounding sections, showed a deficit after taxes in 1920 compared with a relatively small net operating income for 1919. If general conditions are any guide an improvement may be expected in this direction.

The question of physical valuation of the Delaware & Hudson has been more than ordinarily interesting because of the wide difference in opinion between the Interstate Commerce Commission and the road itself. The Interstate Commerce Commission, in its tentative valuation, showed that the cost of reproduction of the system, less depreciation of 24½%, was $73,761,000. The company has strenuously objected to this valuation and has claimed that the total does not at all indicate the present value of physical property. The matter is still open, but there are competent authorities who feel that the road's contention is well taken and that chances favor an increase in valuation over that tentatively set by the Commission.

Conclusions

The total funded debt of Delaware & Hudson, including bonds guaranteed, is $78,865,000. Included in this total is an issue of equipment 4½s due July 1, 1922, amounting to about $8,000,000. There should be no difficulty in meeting this maturity.

The most active bond issues of the Delaware & Hudson are the first and refunding 4s/1943, which are selling on a yield basis of about 5% and which are among the absolutely high-grade rail securities; the secured 7s/1930 are selling around 108, where the yield is 5.80% and the convertible 5s/1935 are selling on a yield basis of approximately 5.90%. The latter issue is convertible on or before October 1, 1927, into stock at the rate of $1,500, principal amount of bonds, for ten shares of stock. These three bond issues are all clearly credited with a sound investment rating, and of the three issues the convertible 5s are the most attractive from the standpoint of income return.

The shares of the company are now selling around 112, compared with a low of 106¾ since January 1st and a low of 90 in April, 1921. The yield at 112, based on a dividend rate of 9%, is approximately 8%, a level which is attractive enough and which suggests higher prices for the shares as the better grade rails move in conformity to general returns on fixed income bearing stocks.

In the years before the war, the equities of Delaware & Hudson in its coal properties were reflected in the market prices of the stock. There is no desire to intimate that Delaware & Hudson shares are going to return to pre-war market price levels, but they certainly appear to be well worth buying from the long pull semi-speculative standpoint. They are not enticing to the trader who is looking for a quick turn, but that should not be a deterrent to the potential purchaser who is seeking a liberally safe income return, combined with a reasonable opportunity for an appreciation in principal.

THE OUTLOOK FOR PUBLIC UTILITY RATE CUTS

(*Continued from page* 696)

legitimately entering into operating cost such as distribution, depreciation on properties, interest on funded debt and miscellaneaus items. Table 1918-1921, inclusive, follows. Figures show cost in cents per thousand for the different items entering into production cost:

Gas Produced	1918	1919	1920	1921
Steam Cost.....	3.49	3.77	4.56	3.38
Gen. Fuel......	17.07	19.30	25.61	23.08
Gas Oil..........	25.70	20.29	25.47	17.37
Gas Purify......	.38	.45	.50	.46
Prod. Exp.......	.84	.90	1.24	1.01
Prod. Labor.....	6.12	6.16	8.35	5.53
Plant Maint.....	1.68	2.14	2.37	2.25
Superintendence.	—	.39	.71	.73
Eng. Dept.......	.36	.38	.42	1.02
Cost produced per thousand feet.	55.64	53.78	69.23	54.83

Figures show that oil cost per thousand

cubic feet has declined more than eight cents compared with 1918, but this is offset to some extent by the increased cost of generating fuel.

Standard Rate of Return

One favorable outgrowth of the recent difficulties of the public utilities is the recognition on a larger scale that they are entitled to a standard rate of return on what is agreed upon as a fair valuation for their properties. Between 7 and 8% has been generally recognized by the rate-making authorities as a proper return on a property valuation.

Some Recent Rate Decisions

Among the gas companies the rate reduction ordered for the Public Service Corporation of New Jersey and the order of the United States Supreme Court holding invalid the so-called "Eighty-cent Gas Law" in New York State are the most recent and important rate decisions. In the case of the Public Service Corporation of New Jersey, through its subsidiary Public Service Gas Co., one of the largest gas producers in this country, the Public Utilities Commission reduced the rate of $1.40 a thousand cubic feet to $1.25.

By a unanimous decision, the United States Supreme Court has declared the law fixing eighty cents a thousand cubic feet the legal rate in New York to be invalid. This gave the Consolidated Gas Co. possession of some $12,500,000 of impounded money, the difference between rates charged and the eighty cent rate. Authority is also given the local Public Service Commission to fix a fair rate. Company is now charging $1.25 a thousand cubic feet. A voluntary reduction from $1.50 a thousand was put into effect last summer.

In the case of the New York Telephone Co. the New York Public Service Commission ordered a state-wide cut, with reductions to average 5% in New York City and 7% in outlying districts. The Commission in its memorandum expressed doubts as to whether previous rate advances had been justified, stating that in the last twenty-five years it had paid dividends averaging more than 8% annually and had accumulated $36,579,000 in undivided profits.

The Peoples Gas Light Case

Decision of the Illinois Commerce Commission against Peoples Gas, which last January reduced rates from $1.15 to $1 a thousand, attracted considerable attention. The $1.15 rate had been in effect since July, 1920, and in its annual report for 1921 company showed that it had net earnings of $4,484,009, equal to $11.64 a share on the capital stock. A resumption of dividends at the rate of $5 annually was ordered last December and, with operating costs declining, it is probable that 5% annually can be earned, with a slight margin to spare, even with the $1 rate in effect.

Detroit Edison Co., operating in Detroit and furnishing electricity, has recently been subjected to considerable agitation under the leadership of Mayor Couzens for lower rates. In this instance, it is not believed likely that lower rates can be secured. Mayor Couzens was largely instrumental in concluding the deal whereby the Detroit United Railway Co. sold its city properties to the municipality.

TRADE TENDENCIES

(Continued from page 723)

—would bring an additional $800,000,000, roughly, to livestock raisers.

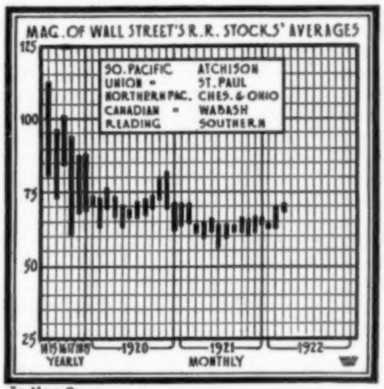
From an economic viewpoint, therefore, the advance in livestock and agricultural products contains very great significance. Undoubtedly it will aid in restoring the purchasing power of the agricultural elements to a more normal degree than that in the past year.

RAILROADS

Favorable Developments

With traffic holding up to a satisfactory volume for this time of the year, and with the outlook for fair earnings during 1922 the carriers face a year which should mark the turning point from the depressed condition in which they have found themselves for several years.

Several important developments have occurred during the past few weeks. In the first place, the Supreme Court decision



To Mar. 9.

sustaining the Interstate Commerce Commission in changing rates made by different states is of the highest importance, as it establishes the rate-making power of the Interstate Commerce Commission in regard to intra-state as well as inter-state commerce. Where, of course, there is reasonable regulation by state authorities that does not interfere with interstate commerce, the Commission will not attempt to interfere. A result of this important decision will be to place the rate structure of the country on a more uniform basis.

Another interesting development has been the move of the Illinois Central to issue $50,000,000 preferred stock for the purpose of financing the electrification of the road's terminal in Chicago. This is the first instance in recent times of railroad financing through stock securities, indicating that the credit of railroads is now higher than for a considerable period. Ostensibly, stock issues can only be floated where there is confidence in that class of security.

It must be generally apparent that the stronger roads at least have reason to look forward to a satisfactory earning year. A few of the less strong roads have also turned the corner. There are still, however, a number of roads in a more or less

MEETINGS AND ELECTIONS

SOUTHERN PACIFIC COMPANY.
NOTICE OF MEETING.
165 Broadway, New York, N. Y., Jan. 3, 1922.

The Annual Meeting of the Stockholders of the Southern Pacific Company will be held at the office of this Company in Anchorage, Jefferson County, Kentucky, on Wednesday, April 5, 1922, at twelve o'clock noon, standard time, for the following purposes, viz.:

1. To elect fifteen Directors.
2. To consider and act upon all questions and matters which may legally come before the meeting relating to Federal control of the Company's properties under the act of Congress of March 21, 1918, or any agreement or settlement with the Government in respect thereto, or relating to the termination of such Federal control by the return of the properties or otherwise, and/ or relating to conditions resulting from or succeeding such Federal control, and generally all questions and matters growing out of or incident to such control, termination thereof, or following conditions, including the guaranty of income under the Transportation Act, 1920, and settlement thereof.
3. To transact all such other business as may legally come before the meeting, including the approval and ratification of all action of the Board of Directors and of the Executive Committee since the last annual meeting of the Stockholders of this Company.

For the purposes of the meeting, the books for the transfer of stock will be closed at 3 o'clock P. M., Tuesday, March 21, 1922, and will be reopened at 10 o'clock A. M., Thursday, April 6, 1922.

By order of the Board of Directors.

HUGH NEILL, Secretary.

DIVIDENDS

Colonial Finance Corporation

300 Madison Ave., New York

Tenth Dividend on Preferred
Eighth Dividend on Common

February 20, 1922—The Board of Directors has this day declared a QUARTERLY DIVIDEND out of the surplus of the company to PREFERRED AND COMMON stockholders of record March 1, 1922, at the rate of 8% per annum on the Preferred and at the rate of One Dollar and Forty Cents ($1.40) per share per annum on the Common.

Stock issued between December 1, 1921, and March 1, 1922, will receive dividends from the date of final payment.

Checks will be mailed by the Treasurer on or before March 31, 1922.

G. W. RENYX, Secretary.

Dividend Notice

PACKARD MOTOR CAR CO.

Preferred Stock

The 50th quarterly dividend of one and three-quarters per cent (1¾%) on the Preferred Capital Stock of the Company has been declared by the Board of Directors, payable March 15, 1922, to the holders of the Preferred Stock of record at the close of business February 28, 1922. The books will not be closed.

FREDERICK R. ROBINSON,
Secretary and Treasurer.

Detroit, Michigan.
February 28, 1922.

GUANTANAMO SUGAR COMPANY.

The Board of Directors have this day declared a dividend of $1.00 per share on the Preferred Stock Full Paid Subscription Receipts, which is at the rate of eight per cent. (8%) per annum, from February 10, 1922, for the period ending March 31, 1922, payable April 1, 1922, to stockholders of record at the close of business March 20, 1922. In the case of any subscription and full payment made on any date other than February 10, 1922, the amount of dividend will be adjusted accordingly. The transfer books will not be closed.

MALCOLM McDOUGALL,
Assistant Treasurer.

March 7, 1922.

uncertain position and it is in their case that discrimination is necessary in regard to purchasing their securities.

COTTON

Statistical Position Greatly Improved

Quietly the statistical position of cotton has so improved in the past few months that the commodity may now be said to rest on a stable basis with the rate of advance in prices depending solely on how rapidly the consumption of the material eats into present stocks.

A few figures will be enlightening. Thus total exports from August 1, 1921, to March 3 of this year amounted to 3,764,389 bales, an increase of about 9% over the amount exported in the same period last year. On March 3 of this year the world's visible supply of American cotton stood at 3,890,580 bales against 4,670,831 bales March 3, 1921. At the highest rate of consumption in the past six months, it is estimated that no more than 25% of the last year's carry-over will remain when the cotton crop becomes available. This is a very conservative estimate, as it does not allow for the almost certain increase of cotton consumption in the months to follow.

In any case, it must be apparent that the trend of cotton consumption has been sufficiently upward to indicate the growing strength of the statistical position. From a price viewpoint, of course, this is of the utmost importance. No major advance would be possible in the price of cotton unless the statistical position of the commodity justified such a movement. The logical inference of the more favorable internal position of cotton is that prices will advance.

A great deal depends, of course, on the size of the next crop. Thus far there have been no indications that the cotton growers intend to greatly extend their acreage. On that basis, a moderate sized crop, at the most, can be looked for. This means that the present curtailment of cotton supplies is not likely to be offset later by a heavy increase in production.

For the past few months cotton prices have shown a distinct tendency to stabilize around the 18 cent level. This contrasts with a price of about 13 cents a year ago this time. At the current price, the commodity appears to have discounted the improvement in the statistical position which has already taken place, but it has not discounted the improvement which is probable in the intervening months before the new crop is marketed. Based on the information available and assuming no great world disaster occurs in the near future, the conclusion is that cotton is a "purchase" in the ordinarily accepted meaning of that term.

DIVIDENDS

American Woolen Company

(Massachusetts Corporation)
QUARTERLY DIVIDENDS

Notice is hereby given that the regular quarterly dividends of One Dollar and Seventy-Five Cents ($1.75) per share on the Preferred Stock and One Dollar and Seventy-Five Cents ($1.75) per share on the Common Stock of this Company will be paid on April 15, 1922, to stockholders of record March 15, 1922.

Transfer books will be closed at the close of business March 15, 1922, and will be reopened at the opening of business March 31, 1922.

WILLIAM H. DWELLY, Treasurer.

Boston, Mass., March 4, 1922.

HUPP
MOTOR CAR CORPORATION
Preferred Dividend No. 26

Detroit, Michigan, March 10, 1922

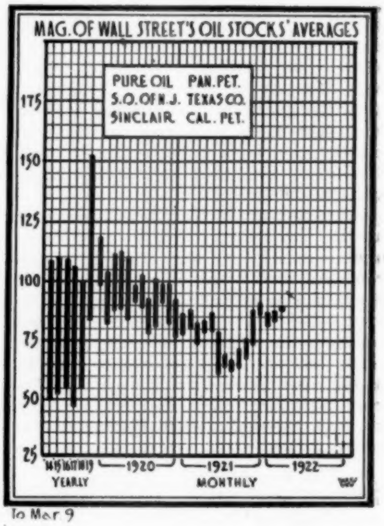
The Directors have declared a quarterly dividend of 1¾% on the 7% cumulative preferred stock, payable April 1, 1922 to stockholders of record March 20, 1922. Checks will be mailed.

A. VON SCHLEGELL, Treasurer.

OIL

Uncertain Conditions

The outstanding feature of the situation is the increasing volume of inquiry from abroad. Consumers in foreign parts are manifesting keen interest in these markets and this is likely to be translated at any time into actual business. The foreign demand for gasolene is particularly good at this time and lately there has been a broader volume of business in kerosene. The Oriental demand is more conspicuous and Japan is now quite a factor in the market. Generally, the outlook is fairly bright from the exporter's viewpoint.



To Mar 9

The domestic situation, except in regard to gasolene, is not so good. Demand for a number of refined products is below what it should be to reduce the large existing stocks.

Production of crude oil has mounted to a degree to unfavorably affect the statistical position of the commodity. This has been particularly true of Mexican crude, which is being shipped to this country in very large quantities.

While crude oil prices have been temporarily stabilized, the immediate outlook is uncertain. However, with the demand for gasolene increasing steadily the supporting influence thus occasioned will probably reduce the impetus to lower prices, though the present statistical position would warrant such a step. Broadly speaking, however, with a general upward

turn in oil consumption under way, probably by the end of Spring, the upward trend in oil prices should be resumed.

One thing is almost certain and that is, in any event, oil companies will not be compelled to make drastic downward revisions in their inventory accounts this year. This phase of the oil situation seems to have been completed in 1921.

SHIPPING

Slight Improvement Noted

According to the report of the Bureau of Research of the United States Shipping Board, vessels of domestic registry carried about 9% more of total cargoes in January than they did in the month previous. Of total January cargoes, American vessels carried about 52%. It is interesting to notice, in this connection, that American vessels carried over 75% of the total oil shipments, indicating our control over this branch of the trade.

Of imports American vessels carried 43% compared with 34% in December. Of exports, American vessels carried 36% against 27% in December. The fact that going, incoming and outgoing cargoes carried in American bottoms showed an increase is gratifying because it had been feared that the severe competition offered by foreign vessels would exert a permanently crippling effect on our shipping.

The new subsidy plan, calling for a minimum percentage of distribution of cargoes to American vessels and providing for a certain percentage of immigrants to be carried on these vessels should exert a beneficial influence on our domestic shipping. However, the main factor in the changing situation is the increased efficiency of American ship operation and the more favorable economic situation existing in various parts of the world with which we carry on commerce.

It would be too early to suggest that American shipping faces a boom period. Certainly, however, it faces a period more conducive toward profitable operation than the period from which it has just emerged.

A PROFIT IS A PROFIT

"A profit is a profit," is a conservative and useful reminder, so long *as it is a profit;* but a profit should not be confused with a mere scalping operation of a couple of points. Do not be any more afraid of taking a large profit, than you would hesitate to cut a loss short. Some people are afraid of real profits; or their greed, anxiety and impatience to consummate their pleasure is too urgent. They will take a severe beating on the long side, and show too much patience in seeing their stocks go against them. It is worth while saying here that no man can be infallible, and losses are inevitable as surely as storms happen in mid-Summer. The real idea is to conserve the bulk of your capital, cut your losses, and run hard from any signs of disaster. In this way, even though you do not manage to preserve a whole skin, you will at least be in the fight and have your chance again.

New Issue

$45,000,000

SINCLAIR CONSOLIDATED OIL CORPORATION

First Lien Collateral Fifteen-Year 7% Gold Bonds

Dated March 15, 1922 **SERIES "A"** **Due March 15, 1937**

Interest payable March 15 and September 15

Redeemable as a whole at any time or in part from time to time at the option of the Corporation on 60 days notice at 107½ and interest on or before March 15, 1927; thereafter at 105 and interest on or before March 15, 1932; thereafter at 102½ and interest less ½% for each twelve months elapsed after March 15, 1932

Interest to be payable without deduction for any Federal income tax up to 2% per annum which the Corporation or Trustee may be required to withhold. Pennsylvania Four Mill Tax refundable.

Coupon Bonds in denominations of $100, $500 and $1,000

Total Authorized Issue, $100,000,000 Present Issue, Series "A," $45,000,000

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK, TRUSTEE

For information regarding these Bonds, we refer to the letter dated March 11, 1922, of Mr. H. F. Sinclair, Chairman of the Board, which he has briefly summarized as follows:

SECURITY: To be secured by pledge of $90,000,000 face amount of First Mortgage 7% Bonds of subsidiary companies and by substantially all the capital stocks owned except the stock of the Mexican Seaboard Oil Company.

The $90,000,000 First Mortgage Bonds to be pledged, comprise those of Sinclair Oil & Gas Company ($45,000,000), Sinclair Refining Company ($35,000,000) and miscellaneous ($10,000,000) including Sinclair Navigation Company and Union Petroleum Company. These bonds, in opinion of counsel, will constitute a first lien subject to $1,255,488, upon substantially all the important operating properties of the companies located in the United States.

The stocks to be pledged include 50% of the total outstanding stock of Sinclair Pipe Line Company and 50% of the total outstanding stock of Sinclair Crude Oil Purchasing Company, the remaining 50% of each being owned by the Standard Oil Company of Indiana.

PURPOSE: These Bonds are to be issued in connection with the refunding of $46,429,600 Five-Year 7½% Secured Notes which it is proposed will be called for redemption on November 15, 1922 at 103 and interest. The refunding will release for delivery the 50% interest in the stock of the Sinclair Pipe Line Company sold to the Standard Oil Company of Indiana, upon delivery of which this Corporation will receive the sale price of $16,390,000.

ASSETS: The preliminary Consolidated Balance Sheet, as of December 31, 1921 shows total net assets of over five times the face amount of these $45,000,000 First Lien Collateral Bonds; the net quick assets alone on the basis indicated in this balance sheet are in excess of $45,000,000.

EARNINGS: The Consolidated Net Earnings available for interest and Federal taxes before reserves for depletion, depreciation, etc., as certified by Arthur Young & Company, Public Accountants, were

Year ended Dec. 31, 1917	$16,222,654	Year ended Dec. 31, 1919	$22,670,898
Year ended Dec. 31, 1918	20,524,588	Year ended Dec. 31, 1920	35,580,415

These earnings averaged about seven times the combined annual interest on the proposed $45,000,000 First Lien Collateral Bonds and $5,851,090 other debt outstanding on December 31, 1921.

The Consolidated Net Earnings similarly computed for 1921 were approximately $10,000,000 so that even in a year of business depression and readjustment such net earnings were equal to about three times the above mentioned annual interest charges.

SINKING FUND: Sinking Fund payable semi-annually commencing December 15, 1922 will provide for retirement, through purchase, of 50% of the Series "A" Bonds before maturity, if obtainable at 100 and interest. If Bonds are not available for purchase at 100 and interest within 60 days after each semi-annual payment, any unexpended moneys are to revert to the Corporation.

It is expected that application will be made to list these Bonds on the New York Stock Exchange.

The legal proceedings in connection with the issue are being passed upon by Messrs. Hornblower, Miller & Garrison and Messrs. Rushmore, Bisbee & Stern.

Interim Receipts or Temporary Bonds will be deliverable in the first instance. All offerings are subject to authorization of the issue by the stockholders, to approval of proceedings by counsel, and "when, as and if issued" and received by us.

Price 98 and interest to yield 7.22%

Sinclair Consolidated Oil Corporation Five-Year Secured 7½% Gold Notes, with all unmatured coupons attached, will be accepted at 103 and accrued interest in payment of or in exchange for Bonds of this issue deliverable on confirmed allotments. This privilege is subject to withdrawal at any time.

BLAIR & CO., Inc.

KISSEL, KINNICUTT & CO. **WHITE, WELD & CO.**

J. & W. SELIGMAN & CO. **SPENCER TRASK & CO.**

JANNEY & CO. **GRAHAM, PARSONS & CO.** **CASSATT & CO.**

THE UNION TRUST COMPANY, CLEVELAND

FIRST TRUST & SAVINGS BANK, CHICAGO **ILLINOIS TRUST & SAVINGS BANK, CHICAGO**

MERCANTILE TRUST CO., SAN FRANCISCO **BANK OF ITALY, SAN FRANCISCO**

FIRST SECURITIES CO., LOS ANGELES

The statements presented above while not guaranteed, are obtained from sources which we believe to be reliable.

The entire above issue having been applied for, this advertisement appears as a matter of record only.